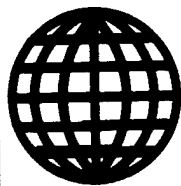


JPRS-CAR-92-036  
3 JUNE 1992



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

# ***JPRS Report***

# **China**

DTIC QUALITY INSPECTED \*

**DISTRIBUTION STATEMENT A**

**Approved for public release;  
Distribution Unlimited**

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA 22161

19980120 002

# China

JPRS-CAR-92-036

## CONTENTS

3 June 1992

### POLITICAL

QIUSHI on Great Marxist Education Movement [1 Feb] .....	1
--	---

### ECONOMIC

#### National Affairs, Policy

Vitality of Nonferrous Metal Joint Ventures [JINGJI GUANLI 5 Jan] .....	4
Journal Views Apt Enterprise Mechanism [JINGJI GUANLI 5 Jan] .....	7
Economists on Economic Research, Reform [JINGJI YANJIU 20 Jan] .....	12

#### Provincial

Hebei Measures for Enterprise Reform [HEBEI RIBAO 22 Mar] .....	34
Hebei Report on Economic Development [HEBEI RIBAO 19 Mar] .....	37
Shanghai 1991 Statistical Communique [JIEFANG RIBAO 16 Feb] .....	44

#### Industry

Total Industrial Output in First Quarter 1992 [CEI Database] .....	51
--	----

### REGIONAL

#### North Region

Tianjin Economic, Social Development Report [TIANJIN RIBAO 24 Mar] .....	52
--	----

## QIUSHI on Great Marxist Education Movement

HK2103063792 Beijing QIUSHI in Chinese No 3,  
1 Feb 92 pp 44-47

[Article by Liu Changliang (0491 2490 0081), secretary of the First Motor Manufacturing Plant party committee: "Great Marxist Education Movement in Party History"]

[Text] Fifty years ago, in 1942, on 2 and 8 February, Mao Zedong first gave the "Rectifying Party Style" speech in the Central Committee Party School and afterwards the "Opposing Stereotyped Party Writing" speech at the Yanan cadres' meeting, thus launching the rectification movement throughout the party. This is a Marxist education movement to use proletarian ideology to overcome various nonproletarian ideologies, an extremely important page in the CPC's history and a pioneering work in the international communist movement.

After the Zunyi meeting, the CPC quickly developed and grew in strength under the guidance of the correct line represented by Mao Zedong, and the number of party members had grown to over 800,000 before the Yanan rectification movement. Vast numbers of new party members received no systematic education in Marxist ideology and various nonproletarian ideologies they originally had were not fundamentally remolded after they joined. The ideological influences by the wrong Leftist line, represented by Wang Ming at that time, still had a serious existence inside the party, and the ideological conditions of party members were out of line with the development of revolution. The party Central Committee with Mao Zedong as the core was determined to launch a rectification movement throughout the party, give a comprehensive Marxist ideological education to all party members and cadres, and carry out a fundamental remolding of various nonproletarian ideologies and styles that existed in the party in a bid to consolidate the building of the party's ideology. During the rectification movement, Mao Zedong Thought, which combined Marxist-Leninist theories with the reality of China's revolutionary struggles, reached maturity after being systematically summed up and developed in many aspects. The rectification movement "enabled our party to advance unprecedentedly along the Bolshevik road" ("Selected Works of Liu Shaoqi" Vol. 1, p 300); realized the unprecedented integration and unity of the whole party in ideology, politics, and organization; and laid an important foundation for achieving the victories in the anti-Japanese war and the War of Liberation.

The Yanan rectification movement composed a glorious page for the building of the party's ideology and theory and has accumulated rich experiences. To seriously sum up these experiences is very necessary for our party to withstand the three tests and continue to lead the people of the whole nation to carry on modernization construction.

## I. Seriously Study the Works of Marxism

Lenin once said: "Only the party guided with advanced theory can realize the role of advanced soldiers" ("Selected Works of Lenin," Vol. 1, p 242). To use proletarian ideology to overcome various nonproletarian ideologies, one must first master the weapon, and this weapon is Marxism-Leninism.

Reviewing the whole process of the Yanan rectification movement, the spirit of "taking study as the primary object" runs through it from beginning to end. The so-called "taking study as the primary object" means that works of Marx, Lenin, Mao Zedong, and other Central Committee leading comrades should be seriously studied in the rectification movement. The CPC Central Committee designated 22 basic documents, including "Reform Our Study," "Rectify Party Style," and "Oppose Stereotyped Party Writing" by Mao Zedong; "On CPC Members' Self-Cultivation" by Liu Shaoqi; and "How To Be a CPC Member" by Chen Yun, as articles that must be read by all party cadres in the rectification. The party Central Committee required all party members and cadres to seriously and intensively read these articles and, based on the understanding of the spiritual essence and in light of the history of China's revolutionary struggles and by measuring one's own ideological and work conditions, earnestly take notes of the study and write out what one learns from the study. The writing of study notes and one's understanding must fully reflect the spirit of self-education. The party Central Committee has made the study of basic Marxist-Leninist theories the fundamental requirement for all party members and cadres and placed it in the primary position in the rectification movement. To organizationally and systematically lead the study of theory for all party members, the CPC Central Committee specifically established the General Study Committee chaired personally by Mao Zedong. He often went to various Central Committee departments to do reports and give lectures, and conduct systematic education on Marxist ideology with party members and cadres.

During the rectification movement, an unprecedentedly enthusiastic scene emerged in Yanan in which the whole party, from the leadership to the grassroots, studied Marxism-Leninism and discussed study experiences. In government departments, schools, factories, and Army barracks, everybody—regardless of whether they were leading cadres or ordinary party members, what positions they held, and how much education they received—was actively devoted to the study movement. Leaders of higher levels offered guidance to subordinate cadres, and people with more education helped those with less, and those who could not read studied by having others read to them paragraph by paragraph. At that time, the sight of people earnestly studying Marxist-Leninist works and groups of two's and three's conversing with each other could be seen inside the cave dwellings, on the hill sides, and the banks of the Yan He. All the comrades wrote down the four characters of "Seeking Truth From Facts" inscribed by Mao Zedong

and stuck them on the walls as a motto. Many comrades who took part in the Yanan rectification movement regarded the Yanan rectification as a genuine revolutionary baptism in their lifetime, and the first systematic education on Marxism-Leninism and Mao Zedong Thought they received after joining the party. Elder writer Liu Baiyu said the Yanan rectification was "a great turning point in one's life" and "the quintessence of the Yanan Rectification lies in that one's subjective understanding matches with objective self-understanding, self-remolding, self-emancipation, and self-perfection. He excitedly said: "People who had drunk the water of the Yan He will not forget the Yanan spirit, and people who took part in the spiritual bathing of the Yanan rectification should treasure and love themselves and go in for rigorous training and set strict demands for themselves" (*Study of Rectification at the Central Committee's Yanan Party School*, Vol. 1, p 138). Such knowledge is very representative.

Rectification is an effective way to stress the building of the party ideologically. To build the party ideologically, one must make an effort to master the ideology's theoretic basis that guides us—Marxism-Leninism. It is because in the Yanan rectification the vast numbers of party members and cadres had great enthusiasm for learning Marxism-Leninism and a strong desire to pursue truth that the rectification achieved such good effects. Learning is the precondition for applying, and only with hard study are we able to apply the stand, viewpoint, and methodology of Marxism-Leninism to reform the objective and subjective worlds.

## II. Take Up the Weapon of Criticism and Self-Criticism

To carry out an active internal party ideological struggle, solve internal party ideological contradictions, and correct wrong internal party styles through criticism and self-criticism is an important experience of the Yanan rectification movement

The Yanan rectification's basic mode is criticism and self-criticism with self-education as the main part. During the rectification movement, both Central Committee leaders and ordinary party members and cadres all earnestly conducted criticism and self-criticism, ushering in a completely new aspect in internal party ideological struggle since the party's founding. In accordance with the spirit of "say all you know and say it without reserve," "blame not the speaker but be warned by his words," and "correct mistakes if you have made any and guard against them if you have not," all comrades sincerely and frankly conducted criticism and self-criticism. Self-criticism is profound and thorough, and the attitude is sincere and frank. Criticism of comrades' mistakes is earnest and incisive, as well as practical, realistic, and good-willed. Using the weapon of criticism and self-criticism, everybody strictly dissected oneself and courageously exposed one's own shortcomings and mistakes and remolded one's nonproletarian ideology. At the same time, with the attitude of "learning from

past mistakes to avoid future ones and curing the sickness to save the patient," they conducted mutual criticism to both clear up ideologies and unite the comrades.

In the Yanan rectification movement, large numbers of advanced models emerged in the party who actively carried out ideological struggles and earnestly conducted criticism and self-criticism and realized the fundamental remolding of a world outlook and methodology. Zhang Wentian is the most outstanding one. In an extended meeting of the central Politburo, he said that people who lacked real work experiences should make up the lessons missed, opposing subjectivism should be thorough, and one should not cover up one's own mistakes or be afraid of exposing them. During the period of the rectification movement, he was the first of the central leading cadres to lead a rural investigation team to penetrate deeply into the countryside in north Shaanxi and northwest Shanxi to carry out more than one year's rural investigation, and was determined to "smash the prisoner's cage of dogma" while involved in social practices to enable oneself to "understand not only ideologically but also personally the correctness of the direction pointed out by comrade Mao Zedong, and to be determined to have a thorough self-remolding" (*Selected Works of Zhang Wentian*, p 318). The thoroughly revolutionary spirit of ruthlessly dissecting oneself with the weapon of criticism and self-criticism as Zhang Wentian did in the Yanan rectification movement is forever valuable for each one of us members of the CPC to study.

In the Yanan rectification, as the whole party conducted comprehensive and thorough criticism and self-criticism, great achievements were made in carrying out active internal party ideological struggles, solving internal party ideological contradictions, and correcting wrong internal party styles. Many comrades who had made mistakes had distinguished truth from falsehood in lines and saw the social, historical, and ideological root causes for their mistakes. Mao Zedong once said: "Our party had in its history the big struggles of opposing the wrong lines of Chen Duxiu and Li Lisan, and these struggles were entirely necessary. But the ways had shortcomings: On the one hand, we did not make cadres understand ideologically the causes and the environment for the mistakes at that time or detailed ways to correct them, making it possible for others to make the same kind of mistakes again in the future. On the other hand, we put too much emphasis on individual responsibility and failed to unite more people to work together. We should learn from the two shortcomings" (*Selected Works of Mao Zedong*, 2nd edition, Vol. 3, p 938). The Yanan rectification, in carrying out internal party ideological struggles, overcame the two shortcomings. The principle of "learn from past mistakes to avoid future ones and cure the sickness to save the patient" was seriously implemented on the comrades who made mistakes, neither compromising the work nor hurting the comrades, and this is one of the symbols of the growth and vitality of our party.

As proved by practice, the question of study style is crucial. If we take Marxist-Leninist theories as a common social theory for study, and do not use them to dissect our own ideology and do not take the weapon of criticism and self-criticism, but maintain the old world outlook, then this kind of study is of no use and cannot foster Marxists who think and act in one and the same way. The fundamental reason the Yanan rectification achieved results and made many comrades feel benefited in their lifetime along the revolutionary road afterwards is that the "arrow" of Marxism-Leninism hit the "target" of remolding one's world outlook. The criticism and self-criticism applied in the Yanan rectification was later summed up by Mao Zedong in the formula "unite—criticise—unite." The meaning of the formula is "with desire of unity, to solve contradictions through criticism or struggles, and on a new basis to reach a new unity" (*Selected Works of Mao Zedong*, Vol. 2, p 763). Thus, criticism and self-criticism is the basic way not only to solve internal party ideological contradictions, but also to correctly handle people's internal contradictions.

### III. Take the Party's Leading Cadres as the Primary Rectification Target

Comrade Deng Xiaoping said: "The party is the example for the whole society and the party's leaders at various levels are the example for the whole party" (*Selected Works of Deng Xiaoping*, 1975-1982, p 164). Therefore, consolidating the ideological building of leading cadres at various levels is the key to realizing the fundamental improvement of party style. The Yanan rectification consistently upheld the study of theory and ideological remolding by the party's leading cadres at various levels as the primary point of rectification in the whole party. Mao Zedong once pointed out that the major and primary target in this rectification was cadres at medium and high levels, particularly high-ranking cadres, and if only they were educated well then their subordinates would quickly improve. About 120 high-ranking cadres took part in the Yanan rectification, the CPC Central Committee particularly established a high-ranking study group, and Mao Zedong became the group leader and Wang Jiaxiang the deputy leader. Party cadres from various departments of the Central Committee, schools, and army barracks were divided into separate groups according to their ranks and educational levels. Party leading cadres of all levels were both participants and organisers and leaders in the rectification movement, and they shouldered the double task of both educating themselves and the masses. So the party paid close attention to and set forth strict requirements on the rectification and study of leading cadres of various levels. They set examples to engage in serious study, took the lead to make speeches and be brave to link with reality and were strict on dissecting themselves, setting up models for the vast numbers of cadres in the rectification and study movement. During the rectification

movement, party cadres of all levels withstood overall tests and trials, and large numbers of party cadres of all levels quickly became mature to be the cores and key elements in all departments. Li Weiham said that the Yanan rectification "educated the two generations of the middle-aged and the young and senior and new cadres," [as published] and he pointed out in particular that the Yanan rectification was "an unprecedented Marxist education movement of responsible cadres" (*Recollection and Study*, Vol. 2, p 496). Li Weiham is the major leader of rectification in the Yanan Central Research Institute. During the rectification movement, he seriously studied documents and took the lead in analyzing the social root causes of the wrong line of leftist putschism in the party's history by associating with his own ideological conditions and carried out self-criticism, greatly inspiring all the comrades. Many central leading comrades, such as Zhou Enlai, Peng Dehuai, and Chen Yi, seriously participated in the rectification study in the army barracks and departments where they worked, made rectification study reports based on their own study understanding, and all achieved good results. This played a decisive role in guiding and pushing forward the healthy development of the rectification of the whole party.

As proven by practice, the Yanan rectification's emphasis on the party's leading cadres is a successful experience of consolidating overall party building.

It has been half a century since the Yanan Rectification Movement and the CPC now has become a ruling power with 50 million members. The mainstream of our party is good. But it should also be seen that a considerable number of the leading cadres of all levels lack systematic study of Marxist theory and, in particular, the theoretic quality and ideological accomplishment of many middle-aged and young cadres who joined the party after the "Great Cultural Revolution" are not in line with work requirements. The wrong styles and corruption inside the party still seriously exist. In the face of complicated international situations and arduous domestic tasks, it is indeed urgent to consolidate overall party building. We must, under new historic conditions, inherit well and carry on the Yanan rectification movement's spirit and, in accordance with the party Central Committee's plans and by associating with our own work and ideological conditions, seriously study Marxism-Leninism and Mao Zedong Thought, conduct criticism and self-criticism, and constantly improve the Marxist theoretic level of cadres of the whole party. We believe that the CPC can withstand the test of new struggles and we have confidence in overcoming the various difficulties on the road to march forward to new victories. Just as Mao Zedong said: "In the future, our party will, and should have, greater development and, under the principles of Marxist ideology, we are able to command future development" (*Selected Works of Mao Zedong*, 2nd edition, Vol. 3, p 1108).

## National Affairs, Policy

### Vitality of Nonferrous Metal Joint Ventures

HK2804024692 Beijing JINGJI GUANLI in Chinese  
No 1, 5 Jan 92 pp 44-46

[Article by Liu Xingli (0491 5281 0448), Yuan Kelong (5913 0668 7893), and Huo Ligang (7202 0500 6921): "Vitality of Joint Ventures Engaging in Nonferrous Metal Trade and Measures To Be Taken," edited by Lu Xiaosheng (4151 1420 3932)]

#### [Text] I. Current Situation and Evaluation

A number of Sino-foreign joint ventures have appeared one after another in nonferrous metal trade since 1982. According to incomplete statistics, a total of 137 Sino-foreign joint ventures was built and put into operation in nonferrous metal sectors and affiliated organizations, with an accumulated input of \$726 million, of which direct foreign investments represent 32 percent of total investments. The setting up of Sino-foreign joint ventures have to a certain degree made up for the insufficiency of China's construction funds, strengthened China's capability of earning foreign exchange through export, promoted the development of relevant enterprises, and moreover introduced some advanced technology, equipment, and management experiences. Practices in the past few years have shown that joint ventures have quite strong adaptability to changes and capability of opening up markets, which are more obviously expressed when the market is weak; when enterprises are full of vitality, the initiatives of workers and staff members are high, labor productivity is high, and economic performance is good.

#### Source of vitality

The vitality of Sino-foreign joint ventures comes primarily from their internal flexible operational mechanism and relaxed management environment. It is expressed specifically in the following five respects:

##### 1) Simplified and efficient organizations and clear-cut power and responsibilities

Sino-foreign joint ventures carry out a general manager responsibility system under the leadership of the board of directors, and decisionmaking and implementation are quite clear. The board makes decisions periodically, and the general manager is responsible for day-to-day management. The post of general manager is mostly undertaken by the Chinese side, yet because the echelons of internal decisionmaking and implementation are clear, flexible operation has been basically accomplished. There is less dependent mentality among Sino-foreign joint ventures toward higher authorities and government departments in charge, and they regard the market as "god," and make money by relying on utter devotion and careful management. On the other hand, because administrative departments at various levels interfere less, and enterprises are in a position to make

decisions in management on their own, the initiative and creativity of the operators can be brought into better play. For example, the Suzhou Copper Materials Co., Ltd., a joint venture with Chinese and foreign investments, was built by allocating a part of the original Suzhou Copper Materials Factory. The board of directors as the decisionmaking body holds meetings twice a year for decisionmaking and review of important issues. The Chinese side contracts for management, and only five functional departments are set up in the company: two offices (the manager's office and the finance and accounting office), two divisions (the technological and equipment division and the production and management division), and one union (the enterprise trade union). The manager's office is staffed with four persons in charge of business in the following seven aspects: labor and management, personnel assignment, administration, secretary, archives, security, and guards. Such a structure can better adapt to the needs of the company's business operations and management.

##### 2) Market guidance and sole responsibility for profits or losses

The raw and subsidiary materials needed by joint ventures with Chinese and foreign investments come completely from the market, and products are sold totally through the market. Therefore, joint ventures are extraordinarily sensitive to market changes. Moreover, Sino-foreign joint ventures usually have sources and markets both at home and abroad for their raw materials and products, and it is natural that they accept market guidance. Market trends are the major basis for them to readjust management decisionmaking and development orientation. For instance, when the Zhangzhou International Aluminum Containers Co., Ltd., a newly built modern enterprise, learned that flip-top cans would be popular on the world market—although the products belonged to the seller's market—to enable it to occupy a superior position over a long period of time in market competition, it would rather run the business in debt, and took the initiative to carry out technological transformation of the production line to make flip-top cans.

##### 3) The employment system of selecting the superior and eliminating the inferior

In accordance with the stipulations laid down in the state's policy, Chinese-foreign joint ventures are entitled to invite applications for or dismiss workers and staff members according to their need, and to appoint them to positions based on their deeds and abilities. The great majority of the joint ventures meet with less interference in exercising these powers. On the one hand, such an employment system attracts outstanding human resources from state enterprises, and improves the quality of workers and staff members; on the other hand, within joint ventures the workers and staff members have no "iron rice bowl" to rely on, and a competition mechanism is truly built up—competition for admission, for posts, and likewise for responsibility, power, and benefits.

4) Reward the diligent, punish the lazy, and give more pay for more work

According to relevant policies, Sino-Chinese joint ventures enjoy a preferential treatment of 120 to 150 percent of the wages of the staff and workers of state enterprises in the same trade in the locality, and are entitled to determine by themselves the wage form for their staff and workers. There is no limit to the payroll, and joint ventures are greatly flexible in granting bonuses which are not kept under strict control. Therefore, they may widen the grades of distribution according to labor intensity, technological complexity, and labor efficiency, embody the principle of "from each according to his ability, and to each according to his need," and build up the distribution mechanism of rewarding the diligent and punishing the lazy. Out of eight Chinese-foreign joint ventures under investigation, which are operated jointly by foreign businessmen and enterprises directly under the controlling corporations, seven of them carry out the wage system of Chinese-foreign joint ventures in accordance with the state's stipulations. Especially the methods and standards for rewarding above-quota labor are all decided by the joint ventures themselves and they act in accordance with regulations.

5) Relaxed environment and preferential tax burden

The preferential tax policy granted by the state to enterprises with investments by foreign businessmen is an important factor for promoting the development of enterprises with foreign investments. On the floating tax [liu zhuan shui 3177 6567 4451], the Sino-foreign joint ventures only pay industrial and commercial consolidated tax, and the tax rate in general is much lower than that for state enterprises. The tax rate for metallurgical products is 10 percent (5 percent for copper metallurgical products), and the tax rate for nonferrous pressed products is 11 percent. State enterprises pay business tax and value added tax, of which business tax for industrial processing is 5 percent; the rate of value added tax is 14-21 percent.

The income tax for Sino-foreign joint ventures is in general 33 percent; the tax rate is 15 percent for productive Sino-foreign joint ventures set up in special economic zones and economic and technological development zones; the tax rate is 24 percent for productive enterprises set up in the old city proper of cities where economic open zones, special economic zones, and economic and technological development zones are located; the tax rate for enterprises set up in the old city proper of cities where economic and technological open zones, special economic zones, and economic and technological development zones are located, or enterprises which are related to energy, communications, harbor, and wharves, or other projects encouraged by the state, can also be reduced to 15 percent. Productive enterprises with an operation period of over 10 years, beginning from the first profit-making year, are exempt from income tax in the first and second years, and allowed a 50 percent reduction in the third to fifth years. For projects in which

foreign businessmen are encouraged to make investments, local governments may decide to reduce or exempt them from local income tax. All state enterprises pay income tax by the rate of 55 percent without exception. On the import of production equipment, Sino-foreign joint ventures are exempted from paying customs duties for machinery and other equipment, transport and vehicles and office articles, while the minimum and common tax rates for state-owned enterprises (taking only metal rolling mills and their rollers, for example), are 25 percent and 35 percent respectively.

Sino-foreign joint ventures make full use of the preferential taxation policy, and have much larger room for maneuver than state enterprises. It is also an important condition for good economic performance and strong vitality. Moreover, less administrative interference from various aspects also provides relaxed environment for their management.

## II. Problems in the Course of Development

1) Management of Sino-foreign joint ventures cannot be "homemade"

Of the Sino-foreign joint ventures under typical survey, some take out a part of the old enterprise assets for investments with foreign businessmen, and are "grafted" into Sino-foreign joint ventures, generally known as "One House, Two Systems"; others introduce the mode of contracted operation of the Chinese side for management. Thus, there is a possibility for Sino-foreign joint ventures which are surrounded by state enterprises to evolve gradually into the mode of management of state enterprises. Such an evolution would make Sino-foreign joint ventures lose their mechanism of generating vitality.

2) The direction of capital input for Sino-foreign joint ventures should be restricted by industrial policies

At present, Sino-foreign joint ventures engaged in non-ferrous metal trade already put into operation are mainly projects facing less risk and yielding high profits, and the scale of investment is small. The comparative prices between upstream and downstream nonferrous metal products are not rational, and profits for downstream products tend to be higher and are quite attractive to foreign businessmen. Of the Sino-foreign joint ventures put into operation, the enterprises which produce processed products from copper and aluminum materials account for over 90 percent. Judging from the variety, Sino-foreign joint ventures engaged in the production and business operations of smelting and processing aluminum and zinc products are almost non-existent. Therefore, the investment selection of Sino-foreign joint ventures should also be restricted by industrial policies and overall planning, so as to make it in line with the requirements of trade development.

3) There should be a department specifically in charge of Sino-foreign joint ventures

It is stipulated in the "Regulations for the Implementation of the Law for Management of Sino-foreign Joint Ventures" that "the government department in charge of the Chinese partner of the joint venture is the department in charge of the joint venture;" and that "if a joint venture has two or more than two Chinese partners which are subordinate to different departments and regions, one department should be fixed through consultation by departments and regions concerned to be in charge of the joint venture. The situation in which one partner or several partners operate joint ventures with foreign businessmen is quite common among Sino-foreign joint ventures engaged in nonferrous metal trade. At present, there are still some problems in their management: First, the controlling corporation department in charge is not clear enough; second, the trade has neither centralized statistics nor centralized management by specialized department; third, when a joint venture applies for approval, many departments meddle, but once the project gets started, nobody cares about it, and when it suffers losses, nobody looks into it to find out the reasons. Therefore, there usually lack normal distribution channels for loans, supply of raw and semi-finished materials, and power supply in the production and business operations of Sino-foreign joint ventures.

### III. Measures To Be Taken

Drawing foreign investments into running joint ventures engaged in nonferrous metal trade is an important technique of using two kinds of funds, resources, and markets at home and abroad. It is therefore necessary to bring the development of Sino-foreign joint ventures into the overall plan of China's development of nonferrous metal industry, and become a component part of the development strategy.

#### 1) Unified examination and approval and coordinated development under the premise of unified planning

Sino-foreign joint ventures engaged in nonferrous metal trade are basically under the situation of multiple examination and approval, and unified coordination has not been realized. Such a situation will not only impact enterprises under the system of ownership by the whole people, but will also damage the investment environment for foreign businessmen, and reduce the appeal to foreign investments. The fever for section aluminum materials [lu xing cai 6986 0992 2624] and for aluminum foil that appeared one after the other a few years ago has something to do with the lack of coordination in the development of foreign-invested enterprises. To uphold examination and approval under the premise of unified planning is to strengthen macroeconomic regulation and control by the department in charge of the trade in the examination and development of foreign-invested enterprises, and the department in charge of the trade should also have a division in charge of the job.

The variety and scale of the development of nonferrous metal industry have been clearly laid down in the "Regulations for Implementation of Current Industrial Policies in Nonferrous Metal Trade," yet there still lack

specific detailed rules and regulations for implementation for Sino-foreign joint ventures. Moreover, the forming of joint venture projects and their examinations and approval at present are divided according to total investment volume, and are respectively carried out by local government departments of foreign economic relations and trade and the Ministry of Foreign Economic Relations and Trade. The development of many projects has started without seeking the opinions of the department in charge of the trade, and the provisions of present industrial policies in fact have no binding force on Sino-foreign joint ventures.

Judging from the current examination and approval standards for foreign-invested enterprises, there is a great difference between the competent department of the trade and the department in charge. The foreign economic relations and trade departments pay more attention to the amount of foreign investments and the target of foreign exchange earnings, but are not quite clear, nor are they concerned about the role the projects play in the development of the trade, and the situation of their subsequent production and business operations. We suggest that projects may be examined and approved according to the standards for designating the investment volume, seeking consent respectively from local nonferrous metal department in charge and China National Nonferrous Metal Industrial Corporation.

#### 2) The formulation of relevant policies and laws and regulations should fully consider the special situation of enterprises invested by foreign businessmen

The development of Sino-foreign joint ventures engaged in nonferrous metal trade should be given policy guidance and support. At present, from the angle of the trade we have basically no policy toward Chinese-foreign joint ventures, and we are not adequate either in the specific application and digestion of relevant policies of the state toward the joint ventures. Therefore, it is natural that foreign investments flow toward highly profitable sectors. To enable them to develop in the direction of industrial policies, corresponding complementary policies are needed within the trade.

#### 3) To graft a part or all assets of old enterprises into Sino-foreign joint ventures is an important way to realize technological transformation and tap potentials

The technological transformation of a number of old enterprises has become a major issue which has a bearing on the sustained, stable, and coordinated development of the nonferrous metal industry. Under the dual pressure of the heavy transformation task and the lack of adequate funds, it is an effective means to make use of foreign funds actively and properly by multiple ways to transform old enterprises. Out of the nine Sino-foreign joint ventures on which we took a major survey, three introduce the mode of grafting. Such a grafting mode only requires a rather short period of capital construction—or no capital construction period is needed. Once approved, joint ventures can be put into operation and



are quick in the renovation of technological equipment and of the mode of management, can speed up the "metabolism" of old enterprises, and can help bring them into the world market.

### **Journal Views Apt Enterprise Mechanism**

*HK0904140892 Beijing JINGJI GUANLI in Chinese  
No 1, 5 Jan 92 pp 27-32*

[Article by Li Zhongfan (2621 1813 0416), edited by An Luming (1344 6424 2494): "On Formation, Transformation of Enterprise Operational Mechanism"]

#### **[Text] Goal Model for Enterprise Reform**

Through over 10 years of reform practice and repeated research and discussion over recent years, it can be said that agreement on the importance and pressing nature of enterprise reform has been reached among the vast majority of people in the party and in society. Such recognition is of importance to major issues such as whether or not the great achievements realized on the path of reform opened by the Third Plenary Session of the 13th CPC Central Committee can be consolidated and developed, whether a further doubling of the national economy can be realized by the year 2000, and whether great strategic goals can be realized. It is also important to the essential issue of whether or not the superiorities of socialism can be brought into play and whether we can use facts to prove that socialism is more powerful and vigorous and can achieve a higher speed of economic development than capitalism. At the central work conference convened in September last year, an overall and scientific elaboration was made on this point. Deepening economic reform will undoubtedly be a central link and focal point in our country's economic structural reform in the 1990's and all other reforms will be carried out centered on this central focal point, so that the vigor of enterprises and especially medium and large enterprises can be increased. It can be said that this will be a major characteristic of reform in the 1990's. At present, the questions faced are: What, in the end, should be the goal of deepening enterprise reform and what are the contents of the goal model? Only when we are clear on these questions will enterprise reform have a clear orientation and will it be possible to achieve the set goal.

According to the principles of the socialist commodity economy, enterprise reform should follow the patterns of a commodity economy and should be in accord with the development of a planned commodity economy, so that the enterprises become interests entities. If the position of enterprises as interest entities is not established, it will not be possible to carry out exchange in accordance with the principle of exchange at equal value, the full development of the commodity economy will lose a necessary precondition and there will be no way for economic structural reform to continue. Here, it needs to be stressed that the formation of the position of enterprises as interests entities is natural in a private-ownership society. However in a public ownership society, this will

be an unprecedented creation. There is a need both to bring into play the superiorities of the public ownership system and to make the enterprises into interests entities, and this increases the difficulty and complexity of our country's economic structural reform. Of course, when enterprises based on the public ownership system become interests entities, they likewise must have the general attributes required by the commodity economy. That is, they must be independent commodity producers and operators and, in their operational activities, they must have the powers and abilities to decide on their own operations, be solely responsible for their own profits and losses, and be able to engage in self-accumulation, self-development and self-restraint. Of these, deciding on their own operations and the capacity for self-accumulation play a decisive role. Without being able to decide on their own operations, enterprises will not be able to become independent commodity producers and operators and there will be no foundation for taking sole responsibility for profits and losses, or for self-accumulation, self-development and self-restraint. Without self-accumulation, the enterprises, as commodity producers and operators, will not be able to engage in self-development and will have no way to take sole responsibility for profits and losses. Thereby, they will lose their ability to decide on their own operations. An enterprise which cannot freely accumulate its own funds will not be able to achieve good results.

We can thus see that under socialist commodity economy conditions, if an enterprise is to have vigor, it must be an interests entity, be manifested as an independent socialist commodity producers and operator and have the "five-self" powers and capacities. However, these cannot be spontaneously produced and cannot be bestowed by outside forces. Rather, these things are determined by an operational mechanism which observes the patterns of the socialist commodity economy and which is in accord with the development of a commodity economy. The operational mechanism determines an enterprise's vigor, and enterprise vigor is a reflection of the operational mechanism. Thus, the formation of an enterprise operational mechanism which is vigorous and is suited to the development of a socialist commodity economy is the ultimate goal we seek in our country's enterprise reform. That is to say, this is the goal model for enterprise reform.

#### **Contents of Enterprise Operational Mechanism**

The term "mechanism" originally referred to the structure of a machine or the principles of its operation. Later, the term was used in biology and medicine, and employed in the study of the functions of organisms to refer to the innate operational mode of an organism. Subsequently, it was widely employed in the study of socioeconomic activities, such as in planning mechanisms and market mechanisms. These refer to the innate operational modes by which planning and the market regulate economic development within the economic system.

The enterprise operational mechanism refers to the innate operational mode of enterprise operational activities within the economic system. Enterprise operational activities are a cyclical process. They begin with the setting down of operational goals and the formulation of operational strategies, then involve the input of human, financial, material, technical and information production factors, followed by the production and technological processes which produce a product or service. Subsequently, these products or services enter the market and through their value form and exchange at equal value, there is distribution and feedback. Thereby, a new cycle begins. In studying the operational mechanisms of enterprises, we should stress the analysis of innate operational modes within the entire process of operational activities.

Under the original economic structure, in the overall operational cycle of state-owned enterprises, the vast majority of operational activities were decided by the managing departments responsible for the enterprises. The enterprise only took on the production and technological transformation functions and in other operational activities it only played a participatory role. Under such conditions, the basic characteristics of enterprise operations were: wait, depend and request. That is, they had to wait for arrangements to be made by the upper levels, depend on the provision of conditions by the upper levels and request the upper levels to provide money, materials, people and tasks. The guiding ideology of enterprise operations was to gain from the upper levels the most lenient conditions possible, so as to facilitate the smooth completion of the tasks set by the upper levels. The orbit of enterprise activities was centered on the department responsible for the enterprise. The situation where enterprises had no power and no interests and thus took no responsibility and no risks determined that enterprise operations did not have their own economic motivational factors and thus their operational mechanism was inevitably passive, ossified and lacking in vigor.

It can thus be seen that under socialist commodity economy conditions, which are different from those of the original economic structure, the contents of the operational mechanism of vigorous enterprises must encompass the entire process of enterprise operational activities, and achieve an effective cycle and operations. Specifically, this operational mechanism will be formed through the following mutually linked contents:

1. An impetus function. Anything in this world which can move and operate must have impetus. If not, it will stagnate, decline and finally cease to be. An enterprise must have a strong internal economic impetus factor as only thus will it have vigor, be vital and see continuous development. This impetus factor comes from its seeking of a goal and the impetus is for the continual seeking of higher goals. Generally speaking, an enterprise's impetus factor is the seeking of profits, because profit centrally manifests an enterprise's operational results and capacity for operational activities. Under

normal conditions, the greater an enterprise's impetus factor, the greater the profits, the better an enterprise's economic results, the greater the degree to which the products and services it produces accord with market demand and the greater its contribution to society. Clearly, under socialist commodity economy conditions, enterprises as commodity producers and operators must also have a similarly strong impetus factor. The greater the impetus factor, the greater the vigor. The degree of vigor is determined by the degree of impetus. It can be seen that a strong economic impetus factor will be a decisive factor in the formation of a vigorous operational mechanism which accords with the development of a socialist commodity economy.

2. A self-regulatory function. If an enterprise has a strong economic impetus factor, it will be bound to produce a self-regulatory function, which will automatically and continually maintain a smooth relationship both within the enterprise and outside, and it will have an overall function in self-improvement. The regulation of these relationships includes:

1) The regulation of the organizational structure within the enterprise. The enterprise will, in accordance with its own needs, consciously establish various departments and appoint appropriate personnel, so that there is mutual coordination. Thereby, there will be "optimal" arrangements and its organizational function will be brought into play.

2) The regulation of economic interests relationships. In accordance with the principle of mainly stressing distribution according to work and the linking of the economic results of the enterprise with the interests of the staff and workers, there will be continual readjustment of the economic interests relationship between the enterprise and the staff and workers and among the staff and workers, so the interests of staff and workers and enterprise interests are closely linked, and the labor of staff and workers and the quality of their work are closely linked with their own earnings. In this way, their enthusiasm and creativity will be fully brought into play.

3) Regulation of production. In accordance with market demand, there will be continual readjustment of product types as well as technology and equipment to provide to society goods and services which are diverse in types, of good quality, and suitably priced. Thereby, better economic results will be created.

4) Regulation of sales and service. This mainly involves providing more and better services for consumers and establishing relations of mutual trust so the reputation of the enterprise is raised.

5) Regulation of public relations. This involves establishing cooperative and harmonious relations with departments involved with the development of the enterprise (including energy, transport, information, law, consultancy, education, and news departments)

3. A self-restraint function. In normal economic order, the economic activities of an enterprise must observe government laws and regulations, policies and standards of morality, and must accord in both investment and consumption aspects, with market demand and the requirements of self-development. The former is necessary in order to maintain normal self-interest, as otherwise it will lead to fines and a decline in reputation. The latter is necessary for continued existence and development. In this way, enterprises will instinctively engage in careful examination and study of their own actions and thus will produce a self-restraint mechanism.

4. A function for absorbing, applying, and developing technology. Under the stimulus of the economic impetus factor, in order to achieve better economic results and realize the greatest output with the least input, an enterprise will naturally develop new products, adopt new technologies, plan new work facilities, add new equipment and use new management methods so the productive forces continually advance to new levels. This will produce a mechanism which seeks technological advancement.

The above four functions are not simple repetitions of each other. Rather, they are mutually and organically linked aspects. The four functions in terms of impetus, regulation, restraint and technological advancement will form a new operational mechanism for enterprises which will run through the entire process of an enterprise's operational cycle, so each cycle enters a new and higher level and reproduction is continually expanded through the two aspects of intension and extension. Such an enterprise operational mechanism has undoubtedly a powerful vitality, competitiveness, and capacity for automatically adjusting to change. However, under the original economic structure it did not exist, thus it needs to be formed through deepening reform.

#### Formation of Enterprise Operational Mechanism

The vital movement mode mechanism of any living thing is always formed through the mutual roles of itself and the environment. Different living things and different environments form different mechanisms. This universal pattern of mechanism formation likewise applies to enterprises. An enterprise's operational mechanism is also formed by the mutual roles of the enterprise and the external environment in the operational process. Briefly, the formation of an enterprise's operational mechanism is mainly determined by two conditions: 1) The external environment determinants. 2) The internal goal determinants. In other words, the origin of the operational mechanism lies in reaction to the external environment and the seeking of internal goals. Certain types of environments outside an enterprise and certain types of goals within enterprises will produce particular types of enterprise operational mechanisms. In this way, under socialist commodity economy conditions, the formation of a vigorous enterprise operational mechanism requires, through the deepening of reform, the scientific resolution of three problems:

1. Creating and providing an environment external to the enterprises which is suited to the development of the socialist commodity economy.

First, it is necessary in accordance with the patterns of a socialist commodity economy, to set down the responsibilities, rights, and interest relationships between the state and enterprises, and to delineate the functions of government and enterprises in the operation of the economic system. The major economic functions of the state are: formulating strategies and goals for the development of the national economy; formulating medium- and long-term plans as well as annual plans for national economic development, but mainly for guidance; formulating technological advancement policies, industrial policies, and investment policies; formulating tax, credit, tariff, price, and foreign trade policies; setting down tax types, tax rates, interest rates, exchange rates, and money growth rates to regulate economic movement; to invest in and control major projects which affect the overall national economic situation and state security; studying and distributing domestic and foreign economic information; and establishing and safeguarding economic order. The enterprise functions are mainly to engage in operational activities, including the expansion of reproduction. That is to say, the activities of the entire operational cycle should be mainly decided by the enterprises themselves. They should act as independent producers and operators, truly decide on their own operations, take sole responsibility for their own profits and losses, engage in their own accumulation, and engage in self-development. It is very clear that the setting down of the responsibilities, rights, and interests of the two levels of state and enterprises and the defining of enterprise's external environment is an important precondition for the formation of a vigorous operational mechanism. To this end, this definition should be established in law and regulations and the government and enterprises should both respect them and safeguard them, so as to eliminate interference by either side.

At the same time, it is necessary to establish and develop a socialist market system. A market system includes a means of livelihood market, a means of production market, a funds market, a labor market, a real estate market, a technology market and so on. We must establish supply-demand relationships for the entire products and services of the society on the basis of a commodity-money exchange market, and encourage enterprises to orient their products and services to the markets. This is an essential external environment for enterprises if we are to form a vigorous operational mechanism suited to the development of a socialist commodity economy. The important aspects are: We must recognize that the market appears following the emergence and development of a commodity economy. Like the commodity economy, it is closely linked with the level of development of the productive forces, but is not necessarily linked with a social system. The market is not purely an arena for buying and selling, but, rather, is a sum of the exchange relationships of the entire society, a window on

and thermometer of supply and demand in society, and its changes reflect, in a centralized way, the changes in socioeconomic activity.

## 2. Correctly setting down enterprise operational goals.

In the formation of an enterprise operational mechanism, the setting down of the external environment is only one of the necessary preconditions. In addition, there is another precondition and that is correctly setting down enterprise operational goals. The fixing of the operational goals of socialist enterprises must likewise accord with the basic patterns of the commodity economy and be advantageous to the continuous development of socialist production. The development of production is manifested in a centralized way in enterprises through the improvement of economic results and the raising of profits. Clearly, the operational goal of socialist enterprises, as commodity producers and operators is also to improve, as far as possible, economic results and obtain more profits, and thereby produce a strong economic impetus element. Thus, it is necessary to provide enterprises with two basic conditions: 1) Enterprises must have the right to take their own decisions in expanding reproduction, including the right to take their own decisions on investment. 2) Enterprises have to have a capacity for self-accumulation, so that they have sufficient funds to expand reproduction. Thereby, after defining for the enterprises an external environment which is in accord with the development of a socialist commodity economy, the above-noted new operational mechanism which has vigor and by which enterprises experience cyclical growth, can be formed and can begin to play a major role in socialist commodity economy activities.

## 3. The transition from the original enterprise mechanism to the new operational mechanism.

An enterprise operational mechanism is gradually formed in an actual environment. We cannot cut ourselves off from history and create a new operational mechanism out of thin air. We can only do this by having the original operational mechanism make a gradual transition to the new operational mechanism. However, this change requires a process and certain amount of time to complete. This is because, regardless of whether we speak of the defining of the external environment of enterprises or the setting down of internal goals, both need to accord with the patterns of a socialist commodity economy and be gradually established through the practice of reform. Thus, the formation of a vigorous enterprise operational mechanism inevitably requires a process of change from the old to the new. The important thing is that we must find a starter to promote this change, or put another way, a theoretical basis for a motivational source.

### Earnings Conditioning and Assets Conditioning

All movement mechanisms of living things are for the purpose of serving life and ensuring propagation. An enterprise operational mechanism is no exception and it

is intended to sustain the existence and achieve the development of the enterprise. The basis of the existence and development of an enterprise, as a commodity producer and operator, is assets and earnings. Thus assets and earnings become the operational mechanism's motivational source. An enterprise's operational mechanism is always centered on these two elements and, in a certain external environment, it will guard against threats to its assets and earnings.

Assets and earnings are two interlinked elements. Earnings are obtained through assets, while assets rely on earnings for their growth. This interrelationship is extremely clearly manifested in commodity producers and operators under the private ownership system. As the assets of enterprises are privately owned, the earnings obtained from the use of the assets are of course privately owned. When earnings are reduced by a certain degree, the assets will be reduced in value by a certain amount. Thus, under the conditions of private ownership of the means of production, the motivational source in the enterprise operational mechanism is very clear. The increase in assets is the primary source of motivation, while the point of departure and foothold in enterprise operations is primarily the increasing of assets and the formation of a motivational assets-earnings-assets cycle.

Here it is necessary to stress explanation of the following: In the development of a socialist commodity economy based on the public ownership of the means of production, after enterprises become independent commodity producers and operators, what will be the motivational source of the operational mechanism?

History provides no ready-made answers for us and it is necessary to explore through theory and practice. The reform practice over the last 10-plus years has proven that when trying to solve new problems, people often find it difficult to throw off the influence of traditional ideas and practices. Thus, they hold that the commodity economy has always been related to the private ownership system and that the system of public ownership of the means of production is incompatible with the commodity economy. Thus, in attitudes to the question of the enterprise operational mechanism, there appears to be two tendencies:

One tendency is to consciously or unconsciously utilize, in a mechanical way, the situation under the private ownership system where assets conditioning is the primary source of motivation in forming enterprise operational mechanisms, and advocate changing the whole-people ownership system into "joint ownership" by the state, the enterprises and individuals, so that the interests of all sides are established on the basis of assets relationships. Thereby, the enterprise operational mechanism will be mainly established on the basis of the joint concern by the enterprises and the staff and workers. Seen simply from the angle of strengthening the operational mechanism, this idea is not without logic. However, it ignores two basic objective facts: 1) For quite a

long time while our country is in the primary stage of socialism, the commodity economy will remain undeveloped, economic development will still be unbalanced, and it will be difficult to form an external environment suited to the operations of stock enterprises. 2) Proceeding from the assets viewpoint, it will be difficult to resolve the assets contradiction between the state, enterprises and staff and workers, and there exists the danger of corruption, the crippling of enterprises and even of losing the superiorities of public ownership of the means of production.

The other tendency is the opposite. It involves people consciously or unconsciously constraining themselves within the limits of the product economy. They believe that it is alright for enterprises to have a little power and a few rights, but that such cannot be extended to the right and interests of expanding reproduction. They see the expansion of the rights and interests of enterprises as an attack on the public ownership system. This tendency has resulted in the deepening of enterprise reform not proceeding very swiftly.

The two tendencies noted above derive from the same root, and they are a reflection on the understanding level, of the two roads which have existed throughout history. It is just that their modes of manifestation are different. The problem now is that we must find a motivational source for the enterprise operational mechanism which gives an enterprise vigor and which both consolidates and brings into play the superiorities of the public ownership system, and develops the commodity economy. It is possible to resolve this problem. The answer lies in fully bringing into play, on the basis of the public ownership system, the role of earnings conditioning.

#### Separation of Two Rights at State Level

This form has been found through practice in our country's reforms. It involves, under the precondition of bringing into play the superiorities of the whole-people ownership system, readjusting property rights relationships, or put another way, changing the relationships between assets ownership rights and operating rights, and achieving a separation between ownership rights and operating rights. This separation of the two rights is actually established on the basis of earnings conditioning.

An ownership system is the sum of the various assets rights based on ownership of assets. The legal rights reflecting these assets relationships include ownership rights, operating rights, appropriation rights, use rights, income rights and disposal rights. Of these, ownership rights are basic and the other rights are subordinate to it. However, seen from enterprises' operations and increasing of assets, operating rights are clearly in an extremely important position, and they affect the continued existence and development of the enterprise. The contents of operating rights are extremely rich. Seen

from the scope of property rights, they include appropriation rights, use rights, disposal rights, and the rights to some of the earnings. Seen from the scope of operations, they include rights in terms of production, management, internal distribution, sales, setting prices in accordance with the law, investment, using foreign funds, and foreign trade.

The separation of ownership rights and operating rights occurred over 100 years ago. Although the direct cause of this was a fortuitous event, it reflected a profound logic. That is, the idea that modern industrial operations management needs to have specialized talent. Managing an enterprise without such talent will result in the owners losing their ownership rights. Thus, in order to safeguard the assets and earnings of the owners, ownership rights and operating rights were separated and the emergence of a management strata became inevitable. However, this separation of the two rights was separation under a system of private ownership. More precisely, it was separation under a capitalist system of ownership, and the aim, form, assets relationships, and social effects of the separation of the two rights all reflected the characteristics of capitalism. The aim of the separation was to safeguard the interests of the owners of capital and the form of the separation was distribution of the two rights within the enterprise. The result of this separation of the two rights was that, on the one hand, it strengthened the operational mechanisms of individual enterprises and, on the other hand, it strengthened the assets antagonism and earnings antagonism between various enterprises. It also increased the antagonism between the owners of capital and the laborers and thereby social contradictions saw further development.

The aspect in which the separation of the two rights in capitalist enterprises can provide us with reference is that it proves that the two rights can be separated. Under public ownership conditions, socialist enterprises can, through the separation of the two rights, fully bring into play the role of earnings conditioning, so that an enterprise can change from being state-owned and state-operated to where it is state-owned and enterprise-operated. However, because in such a separation of the two rights, the enterprise is owned by the state as a representative of the whole people, it is different from the separation of the two rights within enterprises under private ownership conditions. Rather, it is separation of ownership rights and operating rights at the state level. Clearly, the aim of this separation of the two rights is to ensure that enterprises have overall operating rights for the whole course of operations and, under the motivational stimulus of earnings conditioning, an enterprise operational mechanism which has vigor and which accords with the development of the socialist commodity economy will be formed. The formation of this operational mechanism will undoubtedly continually improve the economic results of enterprises. It will also guarantee the earnings of enterprises, continually strengthen self-accumulation capacities, form enterprises' own funds which can be used for expanding reproduction and result

in enterprises actively developing themselves in accordance with market demand. The earnings of staff and workers will also grow accordingly. Thereby, the superiorities of the system of public ownership of the means of production whereby the whole people are represented by the state, will be brought into play, and a vigorous enterprise operational mechanism will be formed. This is the new avenue we are seeking. The problem lies in finding the enterprise structure which reflects this new avenue. Under private ownership conditions, in foreign countries, the shareholding system which is in accord with the internal separation of the two rights, has been widely adopted. Of course, we should not copy this model. What then is an enterprise structure which reflects the separation of the two rights at state level under public ownership conditions?

### Contracted Operation Responsibility System

The emergence of the contracted operations responsibility system was not a coincidental phenomenon. It was a creation by millions of people in the practice of our country's economic structural reform. It had its origins in rural reform, and practice proved that it could realize great achievements. Later, in urban reforms, some enterprises and regions adopted it and also realized obvious results. However, because of poor understanding, it was not possible to put it in its due position. In this respect, there are some imperfect aspects, the most important of which is that we do not have a clear understanding of the contradictions in reform and we do not have a profound understanding of the contents of the contracted operations responsibility system.

The contracted operations responsibility system is based on the public ownership system and has earnings conditioning as its motivation and has responsibility as its core. It organically combines responsibilities, rights and interests, sets down the rights, responsibilities and interests relationships between the two levels of the state and enterprises, realizes a separation of ownership rights and operating rights and establishes an enterprise system in which enterprises have an independent position as commodity producers and operators. Its contents are diverse and includes the entire contents of the vigorous enterprise operational mechanism which is formed under the public ownership system and which accords with the development of the socialist commodity economy. This is because:

1. The contracted operations responsibility system, through the combination of rights, responsibilities and interests, centered on responsibilities, sets down the responsibilities, rights and interests relationships between the state and enterprises, fully implements the separation of ownership rights and operating rights at the state level, and puts in order the major contradictions which occur in the relationships between the state and enterprises in the process of deepening reform. Thereby, it defines the external environment of the enterprise and creates an important precondition for a vigorous enterprise operational mechanism.

2. The contracted operations responsibility system has earnings conditioning as the motivational source. This runs through the entire process of the enterprises' operations and there are clear goals sought within the enterprise. This produces a strong economic impulse factor and this creates another precondition for forming a vigorous enterprise operational mechanism.

3. The contracted operations responsibility system develops the contents of the public ownership system and, in two respects, manifests and gives effect to the position of the staff and workers as masters. First, through giving operational rights to enterprises, a direct combination between the material production conditions and the laborers is realized at the enterprise level. Second, through the combination of responsibilities, rights and interests, with responsibilities as the center, the enterprise tasks are allocated to every worker. This results in the staff and workers feeling, from both the enterprise's and their own responsibilities, rights and interests, that they are the masters of the enterprise and that their own interests are linked to the success or failure of the enterprise. This inspires great enthusiasm and creativity and shows the superiority of the staff and workers as masters.

Fourth, the contracted operations responsibility system has quite great compatibility and can quite rationally resolve the contradictions between advanced and backward enterprises in our country. The contradiction between advanced and backward enterprises and an imbalance in development exists in all countries. Our country's special characteristic is that as far as medium and large enterprises are concerned, this imbalance is to a great degree not produced by the enterprises themselves and is not the result of commodity competition. Rather, it is the result of the defects of the original economic structure, the lack of separation between government and enterprise functions, the lack of enterprise vigor and the lack of competition in the product economy. Thus, the adopting of a policy of suiting measures to the different localities and enterprises well accords with the situation of unbalanced conditions and different starting points. This is a quite rational and realistic policy.

Summing up the above, we can come to the following conclusion: The contracted operations responsibility system is based upon the public ownership system, accords with the development of the socialist commodity economy, achieves the separation of the two rights, accords with our country's national conditions and forms a basic enterprise system of a vigorous enterprise operational mechanism.

### Economists on Economic Research, Reform

HK0105120092 Beijing JINGJI YANJIU in Chinese  
No 1, 20 Jan 92 pp 3-27

[Article: "Bring About Prosperous Economic Science, Promote Economic Reform and Development—(Pen Talks)"]

[Text] Gao Shangquan [7559 0794 0356] of the State Commission on Economic Structural Reform: "Explore and Create Economic Operating Mechanisms Suited to China's Conditions in the Course of Practice"

China's economic structural reform is the self-improvement and development of the socialist system. It may also be called China's second revolution. The aim of this reform is to eliminate the drawbacks developed in the economic system under given historical conditions, promote the development of the productive forces and the all-round progress of society, and incessantly increase the vigor and vitality of socialism. For 12 years reform swept the whole of China, from the rural areas to the cities and from the coastal areas to the hinterland. It changed the fate of the 1.1 billion Chinese people and drew the attention of the whole world.

The phenomenal successes achieved by our reform over the past 12 years can be seen in the quickening of the pace of economic growth, the marked increase in overall national strength, and the obvious improvement in the people's livelihood. We can say that the 12 years of reform saw the most vigorous development of the Chinese economy, the fastest growth in national strength, and the most abundant benefits received by the people.

The overall aim of the economic structural reform in the 1990's is to initially establish a new system of socialist planned commodity economy. Planning and the market are both important means and forms for promoting the rational distribution of resources; they are the inherent requirements of socialized mass production and the development of the commodity economy. What we mean here by planning is not planning with administrative means as the main form, and which rejects the role of the market mechanism, but planning which accords with the requirements of the commodity economy and respects the law of value. By market, what we mean here is not a laissez-faire and anarchic market but an orderly one subject to the guidance of state plans and macrocontrol. Through practice, we will continuously explore and strive to create economic operating mechanisms suited to China's national conditions, which organically combine planning and the use of market forces and can effectively bring each other's advantages into play.

Around this overall aim, we should concentrate on the following major tasks in intensifying economic structural reform in the 1990's:

—Establish an ownership structure with socialist public ownership as the main form and simultaneous development of diverse economic sectors. We must persist in taking socialist public ownership as the main form while encouraging the appropriate development of individual and private economic undertakings in town and country, wholly foreign-funded enterprises, and joint enterprises. The simultaneous development of diverse economic sectors is suited to the present level of productivity in China and will provide beneficial supplements to the public economy.

—Establish a modern enterprise system suited to the development of socialized mass production and explore diverse and effective forms of realizing the public economy. In the 1990's we will strive to turn enterprises toward the market through improvement of the enterprise contracted management responsibility system, the organization of enterprise groups, experimenting in shareholding systems, and other reforms, to gradually turn the competitive enterprises into relatively independent commodity producers and operators with management autonomy and the ability to assume sole responsibility for their own profits and losses and to finance their own expansion.

—Establish a unified and open market system with fair competition and sound planning, and give greater scope to the regulatory role of the market. The prices and charges of important commodities and services with a vital bearing on the national economy and the people's livelihood should continue to be fixed by the state, while control over the production and circulation of other commodities should be lifted and subject to market regulation under the guidance of state plans.

—Establish a system for the distribution of personal income with distribution according to work as the main form, supplemented by other means of distribution, as well as a social security system. While allowing some people and some regions to prosper before others through honest labor and lawful operations, we should encourage those who prosper first to help those who are still behind in order to achieve common prosperity. China will also strive to provide its people with better living conditions and social security through reform of the housing system and the perfection of retirement insurance and unemployment systems.

—Establish a macroeconomic management system with indirect regulation and control as the main form. China's macroeconomic management system is evolving from a highly centralized system of direct regulation and control, relying mainly on administrative means, into a new system of indirect regulation and control which combines economic and legal means with necessary administrative means and which practices separate regulation and control by the central and local authorities. The scope of mandatory planning will be further reduced in future intensified reforms and the targets will mainly be realized through the system of state purchases according to contract. We will make greater use of monetary and financial policies and other economic and legal means to realize the macroeconomic regulation and control targets.

China's economic structural reform is a great undertaking which affects the future and destiny of a country with the largest population in the world. China's reform faces new opportunities and challenges in the last decade of the 20th century and a long road stretches before us in this changing international situation. The practice of reform and development has put forward a series of theoretical questions that need to be studied and answered. The solving of these questions through integration of theory and practice will be the unshirkable



responsibility and obligation of Chinese economic theorists. It is also a valuable contribution which Chinese economic theorists can make to the development of mankind.

**Song Tao [13453447] of the Economics Department of the Chinese People's University: "Economic Theoretical Research Must Better Serve Socialist Economic Construction"**

I think every economic researcher agrees that economic theoretical research must serve socialist economic construction. That achievements in economic theoretical research have played an important role in socialist economic construction has been proved by our economic development in recent years: Economic policies formulated on the basis of correct economic theories can promote the development of socialist economic construction, reform, and the opening of the country to the outside world; whereas economic policies formulated on the basis of incorrect economic policies will hamper, even inflict losses upon, socialist economic construction, reform, and the opening of the country to the outside world.

Correct economic policies refer to theories that can comprehensively reflect objective economic trends. Incorrect economic policies, on the other hand, can only one-sidedly reflect, or may even distort, the objective trends of economic development. Due to differences in people's understanding of economic development trends, these two outcomes in economic theoretical research may take place between different economic researchers or in different works by the same economic researcher.

In order to draw correct conclusions in economic theoretical research, we must have Marxism-Leninism as guidance. The reason is that only basic Marxist-Leninist economic theories can help us see the essence through the movement of economic phenomena and clearly analyze some of the important features in the process of social and economic development. Since our economic construction, reform and opening are socialist economic construction, reform and opening, the only way to obtain scientific conclusions is to study them under the guidance of basic Marxist-Leninist economic theories.

If our economic research is to serve our country's socialist economic construction, reform, and opening, it must proceed from actual economic phenomena in the process of social and economic development. Actual economic phenomena are forms of expression of the economic law. When social and economic phenomena indicate that socialist economic construction, reform and, opening are developing smoothly, it means that the economic policies and production relations formulated by the party and the government are in keeping with economic laws and, hence, can promote the development of production. When socialist economic construction, reform, and opening are not developing smoothly, it means that the economic policies formulated by the

party and the government, and certain aspects of the production relations, are not in keeping with economic laws.

When conducting economic theoretical research, it is necessary to thoroughly study the factors and causes affecting social and economic development, to discover ways in accordance with economic laws to change these factors. For instance, the way to regulate the operation of the national economy is to combine two economic operating mechanisms, namely, the planned economy and the use of market forces. Since views are still divided on how these two economic operating mechanisms should be combined, I will not dwell on the issue here. When the economy was overheated several years ago, the development of socialist economic construction was seriously hampered by repetitive imports and construction and by imbalances in the industrial structure, product mix, and regional structure. Views are divided as to whether these were mainly caused by the planned economy or by the introduction of market forces. In my opinion, they were mainly the result of the switch to market regulation when regulation by state plans had failed to keep things under control. Regulation by market forces means that enterprises and organs in charge of production should increase or reduce production in accordance with the prevailing market price of the commodities in question. Imbalances will occur if everyone expands or starts building enterprises producing particular commodities selling at a high price on the market. We must formulate economic plans and adopt effective measures with a view to making necessary readjustments in accordance with the requirements of economic laws. Under conditions of the socialist economy, we must make proper use of the two regulatory mechanisms, namely, the planned economy and market forces, to ensure the planned and proportionate development of the national economy as a whole.

In economic theoretical research, we must penetratingly study the internal links between different economic phenomena in the process of economic development. There are close links between different phenomena in the process of the development of the socialist economy. Changes in one economic phenomenon will invariably have their effects on another phenomenon. This is something we have often come across in reform and the opening of the country to the outside world. For instance, the only way that the policy of raising the price of farm products can achieve the aim of increasing peasants' income and stimulating their enthusiasm for production is that little or no increase is made in the price of agricultural capital goods. If the price of agricultural capital goods is increased by a matching or even higher percentage, peasants' income will not increase, and may even drop, thus forcing prices to spiral and triggering off a new round of inflation. When reforming a particular production link, we must study its possible effects on other links. Thus, we can only draw scientific conclusions in economic research by studying the internal links of different economic phenomena.



When conducting economic theoretical research, we must also carefully think through the question of whether or not the research results can be put into practice in actual economic work and think through the possible effects of their implementation. All scientific conclusions from economic research must be applicable in actual economic work and must be able to guide actual economic work. Otherwise they cannot be called genuine scientific conclusions.

In short, only by taking basic Marxist-Leninist theories as our guidance, studying the current trends of economic development in truly great detail, and drawing conclusions that are in keeping with objective economic laws can the fruits of economic research be of service to socialist economic construction, reform, and the opening of the country to the outside world.

**Xu Xuehan [1776 7185 1383] of the Economic, Technological, and Social Development Research Center under the State Council: "Economic Theoretical Workers Must Make Contributions Toward Intensifying Reform"**

In the 12 years since the Third Plenary Session of the 11th CPC Central Committee, China's economy has been growing steadily and people's livelihoods has seen great improvements. This has a lot to do with the flourishing of economic theories. After the downfall of the "Gang of Four," a hundred flowers blossomed and a hundred schools of thought contended in theoretical circles while dogmatism and ossified ideas gradually gave way. Discussions closely linked with China's national conditions flourished. These paved the way for reform and the opening of the country to the outside world and enabled theory to play its positive role in guiding action and promoting practice. Looking into the future after the announcement that the economic improvement and rectification has come to an end, we understand that as China's economy enters a new stage with the intensification of reform as its key task, the responsibility of economic theoretical workers will be that much heavier. During the previous stage, when economic improvement and rectification was the central task, the reinforcement of certain administrative measures resulted in the slowing down of reform measures and the "slackening" of economic theoretical research. This was understandable. Now that we have to intensify the reform, we must rely on economic theoretical research, sum up practical experience, and open up the road to the future. Thus, the objective task is to bring about another round of the flourishing of economic theories. In order to develop theories and promote reform, economic theorists must boldly and responsibly make renewed efforts. In my opinion, there are at least five theoretical issues that ought to be accorded priority in our research.

1. The aim and orientation of reform. After the founding of the PRC, in the tradition of socialist countries, we adopted a planned economic structural model patterned after the Soviet Union's and based on the product

economy. This structural model was a Soviet experiment in the first place and did not have any necessary links with socialism. The epoch-making decision adopted by the Third Plenary Session of the 12th CPC Central Committee clearly pointed out that the superiority of socialism failed to be fully brought into play in the years since the founding of the PRC because of the "rigid economic structure which cannot meet the needs of the growing production forces" and in which "the fundamental task of socialism is to develop the social productive forces." Thus, the Plenary Session deemed it necessary to reform the economic structure comprehensively and systematically. The session pointed out that in the reform of the planning system, "it is necessary, first of all, to discard the traditional idea of pitting the planned economy against the commodity economy. We should clearly understand that the socialist planned economy is a planned commodity economy based on public ownership, in which the law of value must be consciously followed and applied." Hence, the long unsettled question of the relations between planning and the market was settled on the high plane of theory and practice. This, in fact, answered the question people are now asking, namely, is it true that the market economy is capitalist while the planned economy is socialist in nature? However, since these people are repeating views already refuted by the Third Plenary Session regarding the correct measures aimed at invigorating enterprises and developing the socialist commodity economy as "capitalist," and even questioning whether some of the standard international practices adopted by the special economic zones in their economic development are "socialist or capitalist in nature," we economic theorists should respond accordingly.

2. The operating mechanisms of the socialist planned commodity economy. Since the aim of our economic reform is to develop a planned commodity economy, it goes without saying that it must follow and apply the law of value and take the market mechanism as its basis. The National Congress of CPC Delegates in 1985 and the 13th CPC National Congress in 1987 both further elaborated on the operating mechanisms of the planned commodity economy while reaffirming the abovementioned target model adopted by the Third Plenary Session of the 12th CPC Central Committee. The slogan "combine the planned economy with the use of market forces" was put forward after fall of 1989. According to resolutions since the Third Plenary Session of the 11th CPC Central Committee, this new formulation should be regarded as an explanation of the relations between the new economic structure determined by the Third Plenary Session of the 12th CPC Central Committee (that "the socialist planned economy" means "a planned commodity economy based on public ownership") and its operating mechanism (regulation by market forces). However, some articles today make no mention of the fact that "the planned economy" means "a planned commodity economy," emphasizing one-sidedly that "the combination of the planned economy with the use of market forces" is the only correct goal for reform of

the socialist economy. They give the impression that the first slogan has been replaced by the second. Clarification is necessary in order to advance the reform in the direction charted by resolutions adopted by the party since the Third Plenary Session of the 11th CPC Central Committee.

3. The method of realizing socialist public ownership. State-owned property includes the assets of large and medium state enterprises. It is the wealth of the people as well as the foundation of the socialist system. Due to various reasons, however, ownership by the whole people has been turned into ownership by departments and localities these past 40 years. There are barriers between central ministries and local authorities, with each working and fighting for its own interests but with no one bearing actual responsibility. On the other hand, enterprises are directly and rigidly managed by the government. Barriers between different administrative systems prevent the horizontal movement of assets, making it impossible for enterprises to optimize or reorganize their assets or to valorize their capital and carry out renovation and expansion on their own. This method of realizing state ownership goes against modern socialized mass production and will undermine the social productive forces. The relative shrinking of the state economy, and the stupendous losses sustained by enterprises, tell us that solving these problems brooks no delay. The solution lies in vigorous efforts to explore the most suitable form of realizing socialist public ownership. The pace of research in the past years has been too slow to meet the needs of reform. For instance, the proposal put forward by some theorists to establish limited shareholding companies on the basis of asset evaluation has seen sluggish progress because it is regarded by some as privatization. A quickening of pace is urgently needed.

4. Issues relating to opening wider to the outside world. The successes we have achieved in opening the country to the outside world have been remarkable over the past 12 years but theoretical research seems weak and many major issues have not been studied in depth. For example, the opening of the country to the outside world and domestic markets are like two wings on the same body. They complement each other and neither is dispensable. But how to make them complement each other remains a major theoretical and policy issue. Moreover, it is still unclear what China's comparative advantages, particularly our dynamic comparative advantages, are and how can we create the right conditions for developing these advantages? These questions need to be studied. Also, we need to study how, while trying to absorb more direct investment from foreign countries, we can put an end to the situation whereby a considerable number of foreign-funded enterprises and joint ventures are "apparently sustaining losses while actually reaping profits," to protect our country's legitimate interests. We need to study this question and make effective improvements on this basis. In short, in this contemporary world we need to do our best to open

wider to the outside world, seek cooperation in the midst of competition in the international market, face challenges, and seize every opportunity to develop, to fundamentally prevent and thwart attempts at evolution. If, instead of doing this, we close our country to international intercourse and stick to convention, we will only become enmeshed in a web of our own spinning and will not be able to keep to ourselves and protect ourselves. Theoretical workers no doubt can make greater contributions in the course of opening wider to the outside world and advancing economic reform at home.

5. Preventing and eliminating so-called "rent-seeking" activities. Due to corrupt phenomena and the fact that the economic structural reform had achieved the anticipated results, huge amounts in price differences, exchange rate differences and profit differences ended up in the pockets of individuals. In this "rent-seeking economy" where huge amounts in "rents" can be obtained by dint of administrative power, people with power, authority, and connections can make big profits without any investment and become millionaires overnight. Politically, this will lead to great resentment against the party and can be turned, by hostile forces, into a powerful weapon for agitating people by demagoguery. It has been estimated by several economists that hundreds of billions of yuan have been drained from the state coffers each year in this way. This is a matter of paramount importance, because it will lay the material foundations for privatization and lead to the "peaceful evolution" of the socialist system into capitalism. It needs to be seriously dealt with by theoretical circles in the course of intensifying the reform.

Economic theoretical research needs support from the necessary environment and conditions. Only by refraining from relying solely on book knowledge, the higher authorities, and material conditions in our theoretical research and academic probes, and by honestly implementing the "double hundred" policy among the people and fully reasoning things out, can we enhance our understanding and discover the truth on the basis of analysis and discernment. Only in this way can we improve socialist theories and strengthen the rallying force of socialism.

Lastly, I wish to cite the following quotation as the conclusion to this short essay: "We are now working for the intensification of reform and the wider opening of the country. On the whole, this is very much in the interests of the overwhelming majority of the people. However, in the course of readjusting and reforming the old structure and mechanisms it is only natural that the vital interests of certain people will be affected. With a high sense of responsibility for the country and the nation, we must proceed from the overall situation in everything and deal sensibly with all contradictions and difficulties in the course of reform, opening to the outside world and social development." (Chairman Yang Shangkun's speech at the meeting marking the 80th anniversary of the 1911 Revolution, RENMIN RIBAO, 10 Oct 1991)

**Li Chengrui [2621 2052 3843] of the State Statistical Bureau: "Change Model and Tasks of Theoretical Circles"**

The second-step strategic objective put forward by the party Central Committee and State Council includes two closely related and interdependent aspects. The first aspect, which concerns economic construction and social development, mainly involves vigorous efforts to quadruple the GNP and achieve a relatively comfortable standard of living for the people on the basis of improving economic performance and optimizing the economic structure. The second aspect, which concerns economic structural reform and opening the country to the outside world, mainly involves the initial establishment of an economic structure suited to the development of the socialist planned commodity economy based on public ownership and which combines the planned economy with the use of market forces, together with the corresponding operating mechanisms. The reform must have construction as its aim and construction must be accomplished through reform. In order to initially establish a new economic structure in the 1990's, we must prepare a good foundation for the new structure and make a big decisive step forward in efforts to change the economic model. Only in this way can we create a benign cycle for the national economy and quadruple our output value on the basis of improving economic performance and optimizing the economic structure.

We have achieved enormous success through over 10 years of reform and opening to the outside world, particularly in economic improvement and rectification over the past three years. China has won warm applause both at home and abroad for its superb performance in a fickle international situation which also demonstrated the great vitality of socialism with Chinese characteristics. On the other hand, we must see clearly that the achievements of economic improvement and rectification are, to a large extent, the outcome of administrative means. The upturn in production has not been accompanied by an upturn in sales, economic structural readjustment, technological upgrading, and an improvement in economic performance, and there are signs of a new round of "overheating." Irrational economic structure and poor economic performance, particularly the poor performance of state enterprises, have become prominent problems on the road of advance of the national economy. Despite repeated calls to "readjust the economic structure and improve economic performance," the actual pace has been sluggish and the results poor. Under the circumstances, we must make the best of the relatively relaxed environment which is not easily achieved (and is confronted with latent threats of inflation), promptly advance economic structural reform, and speed up conversion of the economic model. This is not only necessary for achieving the strategic objective but is also the only way to readjust the economic structure and improve the present economic performance. While we must not be over anxious for quick success, we must have a sense of urgency as far as the structural reform is concerned.

Whether or not we can improve economic performance and increase labor productivity is a matter of fundamental importance affecting the success of the socialist system. Lenin pointed out long ago that "in the final analysis, labor productivity is the most important and primary aspect guaranteeing the victory of the new social system." The latest international experience has proved the correctness of this point. If a socialist country does not correctly and effectively conduct economic structural reform, and instead relies on massive and wasteful input over prolonged periods, it can develop at a fast pace, or even develop into a superpower and prosper for a period of time, but it will not be able to hold on, consolidate itself, and develop properly due to low labor productivity and poor economic performance (political and international factors notwithstanding). This is a historical lesson that we must firmly bear in mind.

To change the economic model and establish economic mechanisms which can help bring about an increase in labor productivity, we need to carry out reform of the enterprise and market systems and in macroeconomic management and other aspects. A concentrated expression of this change is the replacement of the mechanism enabling "everybody to eat from the same big pot" by a mechanism under which only the best can survive. This change will invariably affect social stability. Social stability is the precondition for construction and reform but stability is not something static or stagnant. How to properly combine stability with reform or, should we say, how to properly combine immediate stability with long-term stability, is a major question in the changing the economic model. As I see it, making further efforts to go deep into reality to sum up experience and study all sorts of unprecedented and complicated problems in the change of economic models, such as how reform and stability can be combined, is a major task confronting the economic theoretical circles at the moment and for a considerably long period to come. It is a major assault as far as socialist economic theories are concerned.

The issues which need to be studied in changing economic models are too numerous to be enumerated. Here, I can only cite one or two ideological and policy problems which we are likely to encounter in actual everyday life.

How should we understand the second-step strategic objective of socialist modernization? While the quadrupling of output value and the achievement of a relatively comfortable standard of living both deserve attention, do structural reform and the creation of a benign cycle deserve as much attention? Can the former be achieved without the latter? If, by the year 2000, output value has indeed been quadrupled, will the people be able to benefit without an optimized economic structure and an improvement in economic performance? Will we have the strength to develop the economy in the next century? If the extensive economy cannot be turned into an intensive economy after many years, will we be able to maintain social stability for long? Will the socialist system be consolidated and developed, ultimately

replacing capitalism? Apparently we do need to study and expound on these questions.

How should the law of value be understood and applied? The CPC Central Committee pointed out in its "Decision on Reform of the Economic Structure": "We should clearly understand that the socialist planned economy is a planned commodity economy based on public ownership, in which the law of value must be consciously followed and applied." When the law of value is observed, there will invariably be competition and, when there is competition, it is only natural that only the fittest can survive. However, there are some people who want the law of value but not the notion that only the fittest survive. Some people want to see the best win but do not want to see the losers eliminated. How can this be possible? We must always respect the objective law. As I have said before, there are "three impossibles" at present. First, it is impossible to have a law of value that does not entail the notion of only the fittest survive. Second, it is impossible to have economic prosperity with long-term economic difficulties. Third, it is impossible to have economic reform and structural readjustment which does not basically affect the present pattern of interests. As I see it, these issues also need to be studied and expounded on.

How should we treat the "Bankruptcy Law?" The "Bankruptcy Law (Provisional)" has not been put into practice since its promulgation by the NPC Standing Committee in December 1986 and is not even mentioned these days. Some people see the "Bankruptcy Law" as something capitalistic. As I see it, as long as the notion of only the best survive is in force, there will most certainly be units which become insolvent and, if there is bankruptcy, a bankruptcy law will be needed. How can we regard it as something capitalistic? Some people think that the "Bankruptcy Law" cannot be implemented at this stage because an unemployment insurance system has not yet been established. I have also subscribed to this view in the past but, after consulting the departments concerned, I learned that this was not the case, at least not entirely the case. As early as 12 July 1986, the State Council promulgated the "Provisional Regulations on Providing Insurance for Staff and Workers of State Enterprises Who Are Waiting for Jobs." This stipulated that four types of persons would be covered by the insurance. The first type referred to "the staff and workers of enterprises which have gone bankrupt." In accordance with this regulation, most state enterprises have contributed 1 percent of their total standard wage toward the unemployment insurance fund these past years. Thus far, nearly 2 billion yuan have been accumulated nationwide and only a small portion has been spent, primarily on management outlays. This shows that we are not without the necessary conditions for trying out the "Bankruptcy Law" within given limits. Why is it that the unemployment insurance fund is there but not utilized? This phenomenon needs to be analyzed and explained theoretically.

In a populous and economically backward country like ours, the switch from the practice of "everybody eating from the same big pot" to the mechanism of only the fittest surviving is a complicated and difficult process. Thus, we must have clearcut objectives, unified understanding, coordinated policies, and a steady approach. We must conduct investigations, study in the light of reality, and sum up continuously emerging new experiences. We must conduct ideological work properly among different benefactors—local authorities, government departments, enterprises, and inhabitants, to prepare them mentally for the fact that there will be risks and difficulties as well as "benefits" in the process of establishing a planned commodity economic structure. As early as the 1950's, Comrade Sun Yefang [1327 0396 5364] publicized that the law of value "constantly reminds the backward producers that they must work hard lest they will be subject to severe punishment. It also constantly encourages and handsomely rewards the advanced producers so that they will continue to advance." ("Put Planning and Statistics on the Basis of the Law of Value")

**He Jianzhang [0149 1696 4545] of the Institute of Economics Under the Chinese Academy of Social Sciences: "Further Intensify Reform and Open Wider to Outside World"**

In 1991, we basically completed the tasks of economic improvement and rectification and maintained a moderate industrial growth and a bumper agricultural harvest was reaped in spite of serious calamities. The markets were well stocked, prices were stable, and the people lived contentedly in a stable political and social environment. All this created a more flexible environment for the further intensification of reform and for the wider opening of the country. It also put forward more arduous tasks for the economic theorists.

Since the Third Plenary Session of the 11th CPC Central Committee, all localities and departments have adhered to the line of reform and opening the country to the outside world charted by Comrade Deng Xiaoping in emancipating the mind, seeking truth from facts, and striving to combine Marxism with the reality in China in building socialism with Chinese characteristics. In this process, the party's basic line of "one focus and two basic points" gradually took shape. China's reform and open policy has achieved great success over the past decade and more. However, since this is a great pioneering move without precedent, twists and turns are unavoidable. In the meantime, economic theorists have also achieved important breakthroughs in their research and made their due contributions toward shaking off the ossified economic model. The mistakes made in the exploratory process have interrupted the advance of the reform and open policy, but then these are of secondary importance and entirely avoidable, as they can be rectified through practice and the constant summing up of experience.

The further intensification of reform and the wider opening of the country put a series of new tasks before

our economic theorists. At present, a structure with socialist public ownership as the main form and the coexistence of diverse economic sectors, including individual and private economic undertakings and "foreign-invested" enterprises, has been formed. The issues needing study include: How should the ratio and scope of different economic sectors be determined? How should we revamp the large and medium state enterprise in order to ensure the leading position and role of the public economy in competition? What are the forms of realization of public ownership, particularly where state-owned enterprises are concerned? What are the concrete forms of combination of the planned economy and the use of market forces? How should we strengthen macro-control through planning while enlarging the scope of market regulation? How should we carry out supporting reforms in the planning, financial, credit, taxation, and pricing systems to bring their role into play in macro-control? How can we have diverse forms of distribution, with distribution according to work as the main form, when diverse economic sectors coexist and are there "reasonable" income gaps between the different economic sectors? How should publicly owned enterprises implement the principle of distribution according to work under the socialist commodity economy? How should the principle of distribution according to work be implemented by publicly owned enterprises, particularly those owned by the state, when they are exercising management autonomy and are responsible for their own profits and losses? Where the wider opening of the country is concerned, we must continue to run the special economic zones, open cities, and open regions efficiently, while doing a good job of the development and opening of Pudong. Other than these tasks, questions such as how we should open up the hinterland, continue to intensify the reform of the foreign trade system, diversify the export market, particularly trade with the neighboring countries and regions, and further open up the international market, all need to be studied.

In short, the further intensification of reform and the wider opening of the country to the outside world need theoretical support and demand that theoretical workers redouble their research efforts and provide the party and the state with a theoretical basis for decision making. The masses of the people are creating new experiences and putting forward new questions every day in their endeavors at socialist construction and these need to be summed up, distilled, and answered by theoretical workers. This is admittedly a difficult exploratory process. Since things are complicated by nature, it is only natural that different viewpoints and different solutions should be put forward and mistakes made in this process. Here, the question of stand and method is of crucial importance. Comrade Jiang Zemin said in his recent meeting with those present at National Work Conference on the "Eighth Five-Year Plan" for Philosophy and Social Science and the Working Conference of the Chinese Academy of Social Sciences that he hoped social scientists would firmly and all-roundly adhere to the party's basic line and conduct scientific research

according to the Marxist world outlook and methodology. Provided that we do as Comrade Jiang Zemin eagerly desired us to do, act in the spirit of emancipating the mind, seek truth from facts, uphold truth, rectify mistakes, and uphold the principle of letting a hundred flowers blossom and a hundred schools of thought contend, we will not only be able to further enliven academic discussion and bring prosperity to the social sciences but will also be able to gradually achieve consensus, enrich and develop the party's theories in support of the reform and open policy, and promote the further intensification of reform and the wider opening of the country to the outside world.

**Zhang Zhuoyuan [1728 0587 0337] of the Institute of Finance, Commerce, and Commodities Economics under the Chinese Academy of Social Sciences: "Continue to Implement a Moderate Macroeconomic Policy"**

Experience in socialist modernization since 1979 tells us that in order to ensure the rapid and healthy development of the Chinese economy, we must properly handle the relations between development and reform and see to it that they are well coordinated and promote each other. In economic development we must implement a moderate macroeconomic policy which is not only conducive to the coordinated development of the economy in a stable environment and can prevent major fluctuations but can also help create a more flexible environment for reform and launch the economy into a benign cycle. On the other hand, we must make the best of the present favorable situation with the macroeconomy stable and total demand and total supply more or less balanced, to continue to actively promote economic structure reform to provide a powerful driving force for economic development. In the intensification of reform, we should continue to gear ourselves to market needs, gradually enlarge the role of the market mechanism, increase the scope and percentage of regulation by market forces, and ensure that the national economy as a whole can develop smoothly under planned guidance and macrocontrol while demonstrating great vigor and vitality.

The implementation of a moderate macroeconomic policy is the key to the stability and coordination of the macroeconomy. In socialist countries, based on public ownership where the state controls massive material forces, the state macroeconomic policies play a much greater role in the regulation and control of the whole national economy and have a greater influence on the economic situation than in capitalist countries.

In order to implement a moderate macroeconomic policy we must renounce inflationary methods and we cannot rely on inflation to stimulate or support rapid economic growth. Experience at home and abroad proves that inflation can only boost the economy in the short term and is detrimental to economic growth in the long term. The lessons we have learned between 1985 and 1988 testify to this. Our major success during the three years of economic improvement and rectification

is that we have suppressed inflation and stabilized prices. We must treasure this accomplishment and not let inflation rebound otherwise the masses will find it unacceptable.

The central idea of a moderate macroeconomic policy is that we must not one-sidedly seek rapid economic growth. As things now stand in our country, particularly when price relations have not been straightened out (according to World Bank sources, price relations can affect economic growth by two percentage points), a GNP growth rate of 6 percent or more and an industrial growth rate of 10 percent or more are deemed appropriate. Such a rate is by no means slow. It is in fact much higher than the GNP growth rate for most countries and can help achieve the second-step strategic objective (which only requires an average annual GNP growth of 5.5 percent). Thus, it is already quite a fast rate for the long term. By the end of this century, when the economy enters a benign development cycle and a new economic structure has been established and is playing the leading role, GNP growth can be accelerated even though the base figures will also be increased. Based on past experience, the economy will be overheated and inflation will be triggered off when annual GNP growth exceeds 10 percent and the industrial growth rate exceeds 15 percent. When the economy develops at an unduly high speed, inflation will follow.

In order to ensure stable economic development and guard against overheating we must constantly watch out for excessive growth in social demand, including excessive demand in investment and consumer goods. Some people think that demand is insufficient at present. They deem that in order to stimulate demand, it is necessary to increase budget deficits and issue more banknotes. In my opinion, this view is not necessarily correct and nor are the measures they put forward feasible. Apparently the buyer's market is conducive to the development of the commodity economy to some extent. It is normal to have unsalable products scrapped because this can promote competition, give impetus to technological advancement, and improve the quality of products.

The following are the main points to be borne in mind in the implementation of a moderate macroeconomic policy:

1. Implementation of a moderate monetary policy. First, we must control money supply. It is probably quite safe to keep the money supply growth rate within the scope of the economic growth rate plus a price inflation rate of less than 5 percent. The monetization factor and the rate of circulation of money can be ignored because they have little effect on the increase in money supply. In order to control excessive increases in money supply, it is necessary to control credit issues and prevent an excessively rapid increase in credit. Second, we must implement a correct interest rate policy and maintain an effective positive interest rate. That is, the nominal interest rate should be higher than the price inflation rate to a positive value of between two and four percent.

2. Implementation of a moderate financial policy. At present, the burdens on state coffers are too heavy and financial outlays take up practically all revenue. Administrative expenses and institutional consumption are growing too fast. These problems need to be properly resolved. What we can do now is increase revenue and cut expenditure within the existing framework. We cannot stimulate demand by increasing budget deficits. Rather, we should rely on issuing bonds to finance the construction of key projects. The fundamental solution to these problems lies in structural reform and the rapid transition to separate taxation.

3. We must strive to maintain the basic stability of the general price level. Basic stability of prices is an important hallmark of economic stability. When prices are basically stable, the market will enjoy stability and prosperity, the people's minds will be put at rest, and society will remain stable, indicating that the national economy is operating normally. When formulating its plans and policies, the state must accord priority to the maintenance of basic price stability and must not discard the slogan of maintaining price stability as some people suggested back in 1988. Neither must we renounce the concept of maintaining price stability when updating our concepts in the course of reform. The maintenance of price stability refers to two aspects: First, it means that we are to keep the general price level stable, or basically stable, rather than freezing prices. The relative prices of commodities and labor services should be allowed to change according to changes in supply and demand relations. Second, it means that we are to keep prices basically stable, not absolutely stable or showing zero growth. We can say that prices are basically stable if the annual price inflation rate is under three percent. Normally, the price inflation rate should not exceed five percent. During reform, a higher price inflation rate may be allowed in order to straighten out price relations. Even so, it should not exceed the normal interest rate and should not, as a rule, go beyond seven or eight percent, or worse still, reach double figures.

Apart from a few necessary administrative means, we should mainly rely on economic means in our endeavor to keep prices stable. The more developed the commodity economy, the more necessary it is for us to do this. The freezing or semi-freezing of prices, including measures like the "383" project launched in Heilongjiang during the economic improvement and rectification, can only be taken as contingency and extraordinary short-term measures and cannot be used indiscriminately. Of course, administrative means cannot be abandoned completely. The prices of products of vital importance to the national economy and the people's livelihood, products where production is monopolized, public products, and labor services should continue to be fixed by the state because this is essential to keeping the general price level basically stable. We should chiefly rely on economic means and a basic balance between total supply and total demand to achieve price stability. Changes in the general price level



reflect whether or not total supply and demand for commodities and labor services in society are well coordinated. When the market mechanism is fully brought into play, it is usually through changes in the general price level that total supply and total demand in society are balanced.

Thanks to implementation of a moderate macroeconomic policy since the economic improvement and rectification, a basic balance between total supply and total demand has been quickly restored and economic stability has once again been achieved. This finds concentrated expression in the rapid drop in the price inflation index. The price inflation index for retail sales, for instance, was 17.8 percent in 1989, dropping to 2.1 percent in 1990, and standing at about 3 percent in 1991. The fact that we have been able to achieve rapid economic growth while maintaining a basic stability in the general price level in the past few years shows that our economic leadership has improved and that we are good at applying objective economic laws in socialist modernization. Moreover, despite the fact that economists have had disagreements over certain issues during the past few years, most scholars agree that the state should implement a more moderate macroeconomic policy. For instance, they are against the blind pursuit of economic growth rate and think that we have to create a relatively flexible economic environment for reform and should not rely on inflationary means to boost or support rapid economic growth. As I see it, we can continue to implement this general macroeconomic policy in the future and need not make any major readjustments.

What we must watch out for is the increased inflationary pressure resulting from an overissuance of credit since the fourth quarter of 1989. New loans granted in the fourth quarter of 1989 amounted to 120 billion yuan. The figure was registered at 273.1 billion yuan in 1990 and about 280 billion yuan in 1991. The rate of increase was 17.6 percent for 1989; 22 percent for 1990; and 18.5 percent for 1991. Meanwhile, banknotes issued in 1989 amounted to 21 billion yuan, 9.84 percent more than in the previous year. Banknote issuance increased by 12.8 percent to 30 billion yuan in 1990 and by 18.8 percent to 50 billion yuan in 1991. The rate of growth in money supply, or M2 (that is, cash plus bank deposits minus revenue deposits), also greatly exceeded the economic growth rate, increasing by 14.93 percent in 1989 and by 28.2 percent in 1990. According to a recent announcement, inflation-proof savings have been abolished. This move is debatable. Inflation-proof savings should not be abolished as they are conducive to stabilizing public sentiments about savings. [all figures as published]

In short, we must be prudent about our macroeconomic policy, particularly the issuance of credit and money. We must also properly organize savings deposits and prevent a rebound by inflation in order to maintain continuous economic stability and achieve increases while maintaining stability.

**Wei Xinghua (5898 5281 5478) of the Department of Economics of the Chinese People's University:**  
**"Economic Development and Two Issues Worthy of Attention in Reform"**

In order to build socialism with Chinese characteristics, we must do a good job of developing the socialist economy and reforming the economic structure. As far as development is concerned, we must make continuous efforts to enhance our economic strength and improve our economic efficiency. As far as reform is concerned, we must fully bring the enthusiasm of the masses into play. As things now stand, however, there are problems awaiting prompt solution in both respects.

Since the founding of New China, the Chinese economy has been developing at a high speed, surpassing the capitalist country's rates. Without the "Left" mistakes and the repeated blunders made as a result of our over-anxiety for success, our economic achievements would have been much greater.

Our economic growth has mainly been achieved by means of large input for large output. As a result of our prolonged pursuit of output value and speed, we end up having a high speed but a low efficiency. The problems we must ask ourselves now are: Can a speed increase be stressed in the development of our socialist economy? Can high speed and high efficiency go hand in hand?

If, rather than one-sidedly seeking a rapid increase in output value, we go after high-speed growth in national income which comes with a rapid increase in labor productivity, the outcome will be entirely different and the answer to the above questions will be in the affirmative.

Let us compare the economic development in China and Japan. Since the 1950's, China has been leading Japan in terms of output value growth rate but has been lagging behind Japan in economic strength growth rate. In Japan, rapid economic growth is not accompanied by a decline in economic efficiency. The reason is that what Japan goes after is high-speed growth in national income which comes with a rapid increase in labor productivity. In 1955, China's national income was \$32 billion (at the rate of 2.6418 yuan to \$1), while Japan's was \$21.8 billion. In 1960, China's national income was \$49.5 billion, while Japan's was \$38.6 billion. Japan began its plan to double its national income in 10 years in 1961, and managed to double its national income to \$77.6 billion in 1965 after five years of implementing this plan. That year, China's national income only increased to \$56.3 billion. By 1970, Japan's national income further increased by more than 100 percent to \$170.1 billion, while China's was registered at \$78.2 billion. In 1975, Japan's national income increased by more than 150 percent to \$428.6 billion, while China's was \$101.6 billion. (Footnote 1—"A Comparison between China and the World in Terms of Economic Development," Hunan People's Publishing House) In other words, Japan's national income increased from \$10.2 billion less than China to more than four times that of China's

in 20 years. Japan had increased its national income by 18.6 times, while China could only manage a 2.1-fold increase. Japan thus became the second most powerful nation in the capitalist world in 1976.

Thus, in observing the speed of economic development, we should put the stress on the rate of increase in national income rather than on the rate of increase in output value. Growth in national income should mainly depend on increases in labor productivity rather than on increases in labor power. Japan was able to become a world economic power within such a short time mainly because it was able to sustain a high rate of labor productivity. Between 1951 and 1979, the industrial labor productivity levels of major countries (average annual growth in percent) were as follows: Japan, 8.9; the United States, 3.2; the former West Germany, 4.5; France, 4.5; Italy, 5.7; Britain, 2.8; and China, 5.4. Between 1949 and 1988, the average annual rate of growth for all-personnel labor productivity in industrial enterprises under whole-people ownership in China was 4.7 percent. (Footnote 2—Zong Han [1350 1383]: "A General Picture of China's Industrial Labor Productivity") China's agricultural labor productivity growth rate is much slower than that for industry, which explains why China's social labor productivity growth rate is well behind those of the major economically developed countries. Available statistical figures on the average annual rate of growth (calculated at mean level) in social labor productivity between 1953 and 1981 are as follows: The United States, 6.3; the former West Germany, 9.0; Britain, 8.9; Japan, 14.2; China, 4.4. (Footnote 3—"A Comparative Analysis of China's Labor Productivity Against International Figures," YANHAI JINGJI, No 11, 1990) China's Seventh Five-Year Plan fixed the average annual growth rate for social labor productivity at 3.8 percent, while the Eighth Five-Year Plan fixed the growth rate at 3.5 percent. Due to the lack of comprehensive and accurate statistical data for labor productivity, complicated by variations in statistical methods employed, further verification may be required for the above-cited figures but it remains a fact that the rate of increase in social labor productivity is much lower than the growth rate for output value.

If we mainly rely on increased labor productivity (including living labor productivity and materialized labor productivity) to increase the rate of economic growth, and if a balanced development of the national economy is maintained, then the problem of an unduly high economic growth rate will not arise. Under present conditions, if we want to close the gap between our economy and the economies of the developed countries, and ultimately catch up with and surpass them, we must strive to promote economic growth with a labor productivity which surpasses those in the developed capitalist countries. If we increased investment by 100 and increased output by 80, we can still score an increase in output value but the loss would outweigh the gain. This is simple logic. However, it is a fact that we have been developing our economy with high speed but low efficiency these past years. Our labor productivity and

national income have been on the rise for more than 10 years since reform, although they have declined somewhat in recent years.

In order to increase our labor productivity, we must arouse the enthusiasm of the masses of staff and workers and strive to advance and make effective use of science and technology. Both these tasks require that reform be carried out. This involves an important issue, which has not been given due attention in theory and practice, which adversely affects the enthusiasm of the staff and workers, namely, the irrational and increasingly haphazard mechanism for distribution of personal income. The task of "conscientiously implementing the principle of distribution according to work" and its specific requirements emphasized in the "Decision by the CPC Central Committee on Reform of the Economic Structure" have become idle theorizing. Although we have achieved world-acclaimed successes in other reforms, the reform of the wage and bonus system has lagged behind on the whole and has not achieved any substantial progress. In fact, it has become more divorced from the principle of distribution according to work. Egalitarianism and the practice of "everybody eating from the same big pot" have spread and been strengthened in enterprises and public institutions. In external distribution, unfairness resulting from vast disparities in income has become more pronounced. The free flow of manpower is conducive to rationalization of personal income. However, after talking about it for so many years, the ownership of manpower by the work unit has not been shaken in the least. Some talents are suppressed and treated unfairly and their transfers have been denied. However, the free flow of manpower is no answer to the question of the irrationality of the wage system itself. In order to eliminate unfair distribution in the form of egalitarianism in distribution in enterprises and great disparities in income in external distribution, it is necessary for the state and the enterprises to adopt reform measures to gradually ameliorate and resolve the problem. What we must do at present is to address the egalitarian practice of "everybody eating from the same big pot." It has been proved that in advanced enterprises with a high labor efficiency, the wage and bonus system is rational and embodies the principle of to each according to work. Only by conscientiously implementing distribution according to work can we ensure fairness and efficiency; when the distribution system is rational can we effectively arouse the enthusiasm, initiative, and creativeness of the vast numbers of staff, workers, and scientific and technological personnel, while ensuring the advancement and application of science and technology; when this has been taken care of can the steady increase of labor productivity and economic efficiency be guaranteed; and only in this way can we lay a reliable foundation for the invigoration of large and medium state enterprises and truly demonstrate the superiority of the socialist economy. I believe we should put reform of the distribution system in a prominent position and place it on the agenda.



**Wang Jue (3769 3778) of the CPC Central Party School: "Reform and Development Calls for Studies and Probes on Economic Theories"**

Since the Third Plenary Session of the 11th CPC Central Committee, unprecedented scenes of prosperity have prevailed in China's economic theoretical circles as in other trades and professions. Liberated from "Left"-deviationist and dogmatic ideologies which were divorced from reality, the vast numbers of economic theoretical workers have begun to truly make use of the basic theories, laws and, methods of Marxist political economics to study and explore socialist economic construction, particularly the series of practical economic and theoretical questions encountered since the commencement of reform. The liveliness of the academic atmosphere, the extensive scope of study, the richness of the contents, and the novelty of the study methods have seen no parallel these last decades. During this period, we have made important breakthroughs in our theoretical research on the socialist planned commodity economy and in our probes on the basic economic traits and laws in the primary stage of socialism. These have given a powerful impetus to the smooth progress of reform and opening. Reform and opening the country to the outside world have ushered in a new era of economic theories, instilled great vitality into theoretical research, and created excellent opportunities and favorable conditions. Meanwhile, economic theoretical research has provided a theoretical basis and operational guidelines for the reform and open policy and has played a positive role in guiding practice. This successful journey traversed by economists in the past 10 years and more proves that theories, particularly economic theories, are for the guidance of practice. Economics is a practical science. It must sum up and expound on the actual phenomena and characteristics of the economy. At the same time, it must provide correct predictions and guidance for future economic development. Thus, it must originate from practice, base itself on practice, and serve practice.

Following the intensification of reform and opening to the outside world, some new problems and contradictions, including some deep-rooted contradictions, have cropped up in our economic life. These have directly restricted our reform and development. For instance, while we are striving to overcome the long-standing problems of excessive economic growth, expanded investment, and overheated consumption, new problems such as sluggish sales, increased stockpiles, poor efficiency, and lack of vitality on the part of the large and medium enterprises, have also emerged. In order to fundamentally resolve these problems, we must have the correct answers on the theoretical level. This is not possible, at least not entirely possible, at this stage. Thus, we must soberly recognize the complicated and arduous nature of economic theoretical research. Since practice of the planned commodity economy only has a history of a dozen or so years in our country, our understanding of this economy is, at best, preliminary. Many contradictions have yet to be fully exposed and many problems

have yet to be resolved. Even the existing theoretical achievements have yet to go through a continuous process of testing, revision, and perfection. Reform and development need theoretical support and theories cannot be cut off from reform and development. Thus, we must have a strong sense of responsibility and crisis and seize the current favorable opportunity to form a benign cycle wherein reform promotes research and research promotes reform. Specifically, we must exert our efforts in the following directions:

1. We must combine the basic theories of Marxism with the concrete practice of reform and opening in China. Our reform is the continuous improvement of the socialist system. What we have to do is to reform the irrational factors in the production relations, not change the system itself. Thus, we must first of all uphold the Marxist stand, viewpoint, and method, and always have the direction of research in mind to correctly explore the concrete forms of realizing the general laws of social development in the actual conditions in China. This is the basic prerequisite for all theoretical workers. On the other hand, Marxism is not immutable. It needs to be continuously enriched and developed in the practice of socialism. Marxism reveals to us the general laws of social development. The significance of this revelation lies in the fact that it provides later generations with the basic theories and methods. If we over-simplistically apply quotations taken from Marxist classics in judging the ever-changing economic phenomena and handling concrete problems of economic operation and development, we are in fact vulgarizing Marxism. Upholding Marxism is different from sticking in the ruts. Our task is to produce new theories and continuously enrich and develop Marxism by applying these basic theories to study and explore the concrete problems in China. The truth of this notion has been proved by the successful reform in China over the past 10 years and more.

2. We must correctly distinguish between total Westernization and the assimilation of rational elements of Western economics in economic theories. We should not close the doors and totally reject Western economics simply because problems of liberalization have cropped up in the economics realm. We must recognize this basic fact: Since the commodity economy has a history of several hundred years in the West, its economic theories naturally include basic traits which epitomize the commodity economy, and rational elements which guide its effective operation, in addition to elements which protect private ownership and the capitalist system. While we must open wider to the outside world in economic matters, we must likewise open wider to the outside world in theoretical research and not refrain from research for fear of slight risks.

3. We must adopt a variety of effective means to promote the continuous development of theories. For example, we should publish theoretical writings, develop academic discussions on questions of theory, criticize erroneous anti-Marxist views, assess and commend theoretical achievements in persistently combining

Marxism with practice, and so on. It is only through these methods, which can promote the development of economic theories, that theoretical research and exploration can truly flourish.

We have opened new vistas for the research and exploration of economic theories. We must value these achievements because they are not easily come by. They require concerted efforts on the part of theoretical workers who must provide more effective theoretical grounds for reform and development and do their best to ensure the stable, sustained and coordinated development of the Chinese economy and the perfection and consolidation of the socialist system.

**Chen Jiyan (7115 0679 0337) of the Institute of Rural Development under the Chinese Academy of Social Sciences: "Promote and Deepen Research on the Rural Economy"**

The rural economy, particularly the reform and development of the national economy, requires that research economy must meet the needs of the objective economic situation and that new changes and improvements be made from content to form.

Our current rural policy of: Stabilizing the contract responsibility system on a household basis with remuneration linked to output; improving the dual system which combines unified and independent management; establishing a social services system; and of gradually expanding collective economic strength, mainly involves the establishment of microeconomic organizations and systems in the rural areas. As the rural commodity economy develops and the rural industrial structure changes, the rural economy as an important component of the national economy becomes more and more closely related with other economic sectors. Thus, while continuing to conscientiously study microeconomic issues in the rural areas, we must also study rural issues in the context of the overall economic situation, further develop the study of rural macroeconomic issues, and attach importance to this study.

In recent years, the rural reform has eliminated, and is eliminating, the self-contained and semi-self-contained natural economy which has dominated the rural areas for a long time. Agriculture has entered a new stage witnessing the development of the commodity economy. In 1990, total purchases of agricultural products amounted to 371.1 billion yuan, 6.65 times 1978. The market rate of agricultural products exceeded 60 percent of which the market rate of grain, which accounted for over 70 percent of the sown acreage of agricultural products, increased from 20.3 percent in 1978 to 36.6 percent in 1990. The development of the commodity economy in the rural areas, as important raw material producing areas for urban industries, has laid a solid foundation for the prosperity of the urban economy. The development of the commodity economy in the rural areas as important markets for urban industrial goods, has given a powerful push to the development of the urban economy.

In the process of gradually intensifying the rural reform, the production structure in the rural areas has also undergone profound changes. In 1987, the output value of secondary and tertiary industries in the rural areas exceeded that of primary industries for the first time. In 1990, the proportion of the output value of rural secondary and tertiary industries in the total output value of all rural undertakings increased to 54.6 percent, 23 percentage points up on 1978. Following changes in the production and employment structures in the rural areas, the peasants' income structure has also undergone substantial changes, with the proportion of income from nonagricultural activities increasing from 40.6 percent in 1985 to nearly 50 percent in 1990.

As the rural reform intensifies and the production structure becomes more diversified, the rate of the outward flow of surplus agricultural labor has picked up. At present, town and township enterprises alone employ over 95 million of the rural work force. Part of the rural work force has been transferred to nonagricultural sectors, including industry, commerce, transportation, building construction, and service trades. The transfer of the rural work force is omnidirectional. Although the transfer is mainly restricted to the rural areas and within the country, a portion of the surplus rural labor force has found its way into the cities and the overseas labor markets.

The abovementioned recent changes in the rural economy have pushed its development to a new stage. They also call for changes in the study of rural development.

First, we must study how small-scale production on a household basis can be properly combined with socialized large markets. After the establishment of the contract responsibility system on a household basis with remuneration linked to output, the peasants have regained the right to make their own decisions in production and operational matters and gradually established their position as independent commodity producers. The peasant households have left their isolated and idyllic life behind, plunging into the sea of the commodity economy. However, practice over the past few years shows that no matter how hard the peasants tried to cater to society's needs, participation in commodity production is a problem that has yet to be resolved. The main problem is that the peasants are not mentally prepared for market risks and neither do they have the economic capability to take such risks. The market has seen some great ups and downs in recent years, with alternating "keen battles" and "slow markets" in the sales of farm products. This is a concentrated expression of the contradiction between small production and big markets. Thus, studying how individual peasant households can be organized in circulation, and how they can be pushed toward the market, become key issues in determining whether or not the rural economy can continue its development momentum.

Second, we must study the establishment of a circulation system and market for farm products. Several years ago, the ministries concerned pointed out that just as we should "lead an ox by its halter," the circulation system for farm products should lead the intensification of rural reform. This has recently been reiterated by the ministries. Production determines circulation and circulation in turn affects production, even determines production under given conditions. This has been irrefutably proven by a host of facts in the development of the rural economy in recent years. The combination of planning and the use of market forces is a fundamental guiding policy for reform of the farm product circulation system. While continuing our theoretical probe on this general policy, it is important that we carry out study on some concrete issues around this policy, such as how to give separate guidance in the circulation of different types of farm products, the defining of economic entities taking part in circulation, the makeup of the market system (markets classified according to regional distribution and markets classified according to function), as well as concrete forms of combining planning and the market.

Third, we must study the pricing of farm products. The price level of farm products and the price parities between farm products and other products, including the price parities between industrial and farm products and the price parities between different farm products, directly concern the economic interests of the peasants. They are important dynamic factors with a vital bearing on whether or not stable production can be maintained. Irrational changes in price relations are an important reason why the production of major farm products suffered from fluctuations between 1985 and 1988. However, very little study has been done on the question of pricing farm products. Estimates of basic conditions like price parities between farm products are vastly different and even totally contradictory. Some comrades noted that the price scissors between industrial and agricultural products had widened after 1985 and that this trend continued even after the start of the economic improvement and rectification in 1988. Some comrades held that through reform, the long-standing situation where farm products were underpriced had greatly improved and peasants were receiving many more industrial products in exchange for the same quantity of farm products. Some comrades even claimed that reform had put exchanges between the state and the peasants basically on the basis of the principle of exchanges of equal value. Other comrades went as far as to assert that there were reverse price scissors between industrial and farm products, with farm products being overpriced and industrial products underpriced. This shows that the top priority task in the study of farm product pricing is to have an objective and truthful assessment of the situation and then study how we should further advance price reform and readjust pricing policy.

Fourth, we must study the relations between township and town enterprises and big urban industries. Ever since their rise to prominence, township and town enterprises have been confronted with the question of how

best to handle their relations with big urban industries. Several years ago, the situation where each party tried to "outdo the other in fervor" prevailed and the resultant "competition" for raw and semifinished materials and energy once became the main concern in doubting whether or not it was correct to develop township and town enterprises. Today, the proportion of township and town enterprises in the national economy is steadily growing. In 1990, their output value accounted for a quarter of the country's aggregate output value and one-third of the gross industrial output value. Their investment in rural undertakings amounted to more than 45 billion yuan and direct assistance and subsidies to agriculture totaled some 27 billion yuan. This is not the time to ask ourselves whether or not we should develop township and town enterprises. Rather, we should work out how we can properly handle the relations between the two while trying to invigorate the large and medium enterprises and strive to bring about a rational division of labor between the two so that they can complement and assist each other for mutual benefit and development. In this connection, there are many important theoretical and practical issues that need to be studied and tackled.

Lastly, we must study the direction of development for different types of rural areas. With the commodity economy gradually developing and the unified market gradually taking shape, different rural areas can no longer continue their existence as small, segregated, and independent economic entities with no intercourse whatsoever. Promoting the strong points while steering clear of the weak points in accordance with the principle of comparative advantages should be an important guiding principle to be observed by all rural areas in determining their development direction. At the same time, different rural areas should strengthen their horizontal ties and promote each other in order to achieve coordinated development. In this connection, it is necessary to handle two questions properly. The first is the question of grain. Although the notion of "taking grain as the key link" no longer has a ready market, many comrades still see the need to achieve self-sufficiency in grain. On a national scale, there is no doubt that we should strive to be self-reliant on the grain question. However, this need not be the case for all regions. In China, some regions are suitable for grain production. They should not only strive to be self-sufficient but also become important bases for exporting commodity grain. However, for some regions with unique advantages, self-sufficiency in grain need not be stressed. For some localities with an abundance of tropical resources, the undue emphasis of self-sufficiency in grain may be inappropriate. As far as the interest of the whole nation is concerned, it may be more advantageous for these localities to concentrate on the production of tropical crops and produce more "off-season" products. Another question is how best to handle the relations between different regions. In the process of the transition from a linear division of labor to a horizontal division of labor, contradictions and frictions between regions are unavoidable. The important

thing is that we must promptly resolve these contradictions and frictions. Only in this way can different regions promote one another and work for common prosperity. Here, we must emphasize that while resorting to essential administrative means, it is necessary to make greater use of economic means in the handling of relations between different regions. We must pay attention to the interests of both sides and coordinate their relations so that their initiative and creativeness can both be brought fully into play.

In the foregoing paragraphs, I have only listed some of the issues affecting the rural areas that must be studied on a macroeconomic level. In actual social and economic life, there are many other questions that need to be studied and new problems will continue to crop up as the rural reform unfolds. Studying the new situation and resolving new problems will always be the unshirkable duty of theoretical workers as practice is always new. Let us rise with vigor and strive to make our theories keep pace with the times.

**Ma Jiaju (7456 1367 7467) of the Institute of Economics under the Chinese Academy of Social Sciences: "Sum Up Experience in Reform; Promote Intensification of Reform"**

The turn for the better in the macroeconomic situation and the basic completion of the task of economic improvement and rectification have created a favorable environment for the continuation of economic reform. Following the adoption by the National People's Congress [NPC] of the 10-year Program and "Eighth Five-Year Plan" formulated at the suggestion of the CPC Central Committee, the CPC Central Committee Work Conference and the Eighth Plenary Session of the 13th CPC Central Committee adopted important policy decisions on invigorating large and medium state enterprises and further strengthening agricultural and rural work, charting the direction for future reform. Although economic theorists did not reach a consensus in their discussions in 1990 on basic concepts regarding further reform, the supreme policy-making bodies have in fact made up their mind in their policy decisions. Of course, ensuring the smooth implementation of the policies laid down and striving to achieve the anticipated results is no easy task. In the process, we are bound to encounter numerous complicated problems which have to be resolved, one by one, with arduous efforts. However, this notwithstanding, the momentum of economic reform is encouraging and we can hope to enter a new stage of intensified and accelerated development and make substantial progress within the next few years.

We must firmly push forward the continued intensification of reform and gradually establish a new economic structure for the socialist planned commodity economy. This is the objective need and inexorable trend of historical development. The tremendous successes of economic development in the past 13 years provide irrefutable proof that the basic orientation of reform is correct. On the other hand, as the reform is still in

progress, there are bound to be prominent difficulties and problems in our economic life. It is only through intensification of reform, adherence to the principle of combining the planned economy with the use of market forces, and efforts to better bring into play the role of the market that these difficulties and problems can be resolved. To this end, we must make positive efforts to gradually establish and improve a market system, change the price formation mechanism, and seek a form of property ownership and operating mechanism for state enterprises suited to the needs of market regulation and indirect management by the government. It is only on this basis that effective regulation and control by the state can be carried out. In short, as things now stand, we have no other alternative except to intensify the reform. Reform is needed in order to bring the advantages of socialism fully into play and greatly increase the efficiency of economic operation and the actual accomplishments of economic development under the socialist system. The drastic changes taking place in the world today have made us see all the more soberly that this is indeed a matter of paramount importance affecting the success of socialism.

The intensification of economic reform requires the close coordination of economic theoretical work. Over the past 10 years and more, economists have contributed their share toward the fermentation, start, and development of economic reform in our country. Today, we have reason to expect our economists to play a dynamic role in conducting penetrating study and fervent discussion under the guidance of Marxism. Through "letting a hundred schools of thought contend" and seeking the truth, economic theoretical work can provide greater services toward economic reform.

Conducting studies on problems to be tackled in the next stage of reform, especially long-standing problems like reform of state enterprises, the specific form for the integration of planning and the use of market forces, and the relations between advancing the reform and maintaining economic stability, with a view to providing guidelines and working out the appropriate measures, is no doubt a task of top priority to us. However, what I wish to say here is that while attaching importance and striving to do a good job of these kind of studies, we must also devote efforts to studying the journey we have traversed thus far in our reform. While we are still a long way from the basic completion of our economic reform, practice over the past 13 years has provided us with a host of experiences and materials. Through the collection, collation and analyses of these materials, we can sort out various aspects of the development of reform, examine its successes and failures, and obtain objective accounts and explanations. Even if we cannot instantly raise our theoretical standard to a high level, we can at least lay the foundation for further theoretical studies. What is more important is that studies that can tell us what steps we should take next must be based on the summing up of experience gained. Studies are invariably based on comparisons. Thus, although these studies are

on the process of economic reform in China, we must also include the disrupted socialist economic reforms in some former socialist countries, as well as the so-called "economic reforms" of a changed nature that they are carrying out now. Needless to say, these studies are indispensable to tackling the great task of building socialism with Chinese characteristics in theory and in practice.

**Zhou Shulian (0719 0647 5571) of the Institute of Industrial Economics of the Chinese Academy of Social Sciences: "Attach Importance to Revitalization of State Enterprises in Economic Theoretical Research"**

The revitalization of enterprises has become a matter of concern to the whole country. What does the revitalization of enterprises mean? There is no consensus on this question. In my opinion, the revitalization of enterprises is a demand put before enterprises in their capacity as commodity producers and operators. It asks that state enterprises turn themselves into socialist commodity producers and operators that are full of vitality. In other words, the revitalization of enterprises is not a demand put before enterprises as adjuncts to the government. Enterprises that are adjuncts to the government cannot be revitalized. When we put forward the task of revitalizing state enterprises, what we want them to do first is to gradually become commodity producers and operators through reform. Unless we understand it in this light, it will not be possible to accomplish the task of revitalizing enterprises. It has been some time since the task was first put forward and its importance has been stressed from time to time. Many localities have put forward systematic policies and measures with this in mind. The way the task has been understood probably has a lot to do with the failure to truly revitalize enterprises during the past few years.

A fairly common situation is that the revitalization of enterprises is merely seen as helping state enterprises overcome some of the problems confronting them. The time when importance is universally attached to the revitalization of enterprises is usually the time when state enterprises are faced with grave difficulties. Today, state enterprises, particularly large and medium enterprises, are confronted with numerous difficulties, including the shortage of funds, sluggish sales, backward technology, and excessive burdens. The revitalization of enterprise will of course involve helping our enterprises overcome these difficulties. However, we must not think that the revitalization of enterprises simply means tackling these difficulties. If we simply help enterprises tackle their difficulties, such as increasing their credit limit, buying their products, helping them carry out technical upgrading, and alleviating their burdens, rather than adopting all necessary measures to help them gradually turn into commodity producers and operators with autonomy in management, responsibility for their own profits and losses, and the ability to develop and control themselves, it will be impossible to truly revitalize enterprises, let alone accomplish the task of revitalizing enterprises.

The task of revitalizing state enterprises has been gradually clarified since reform. Although the tasks of controlling the national economy without putting it in a straightjacket and revitalizing the economy without causing confusion were put forward before the commencement of reform, the accomplishment of this task was difficult, even impossible, under the traditional socialist system. More often than not, the economy was straightjacketed the moment control was exercised and confusion reigned once control was relaxed. Strictly speaking, it is impossible for state enterprises to be revitalized under the traditional socialist system. In any case, state enterprises could not have been revitalized at that time. This is something determined by the characteristic feature and tasks of these enterprises. The task of revitalizing state enterprises in the course of reform requires that we gradually change the situation where all state-owned enterprises are state-operated and turn state enterprises into commodity producers and operators with autonomy in management and responsibility for their own profits and losses. Only when state enterprises enjoy autonomy in management and bear responsibility for their own profits and losses will they have the driving force and conditions for revitalization. The party Central Committee and State Council have promulgated a series of documents in this connection since the commencement of reform. The NPC has also adopted the "Law Governing Industrial Enterprises Under Ownership By the Whole People," stipulating that state enterprises must be given the necessary decisionmaking power. These are intended to provide enterprises with the necessary conditions for revitalization. Those enterprises that have done well in implementing these rules and regulations have become, or are beginning to become, revitalized. However, there are still many enterprises that have not been able to implement these rules and regulations. Because the traditional structure still plays an important, even decisive, role, these enterprises have not yet been revitalized and indeed will have difficulty becoming revitalized. Some comrades think that large and medium state enterprises cannot be revitalized chiefly due to certain policies introduced in the mid-1980's. If, by this, they are referring to the policies of intensifying the reform of state enterprises and promoting the development of state enterprises into commodity producers and operators, we would say that their view does not tally with the actual situation and is therefore incorrect.

We all agree that township and town enterprises and foreign-invested enterprises have greater vitality than state enterprises. Why is it that township and town enterprises and foreign-invested enterprises have greater vitality? Fundamentally speaking, this is because they have become, or are close to becoming, true commodity producers and operators while state enterprises, particularly large and medium ones, are a long way from becoming commodity producers and operators. Thus, in order to increase the vitality of large and medium state enterprises, we must change the operating mechanisms

of enterprises and help them become true socialist commodity producers and operators. What is meant by the vitality of enterprises? As commodity producers and operators, enterprises should have a many-faceted vitality which can be summed up from different angles. As far as the present requirement for the invigoration of large and medium state enterprises is concerned, the aspect most worthy of attention and emphasis is enterprise competitiveness. Competition is a general feature of the commodity economy and enterprises which are commodity producers must take part in competition. Competition between enterprises is an objective existence. In competition, only the fittest survive. The vitality demonstrated by enterprises in competition is called enterprise competitiveness. Enterprise competitiveness also covers many aspects, such as competitiveness in quality, variety, cost, and pre- and post-sales service. These all reflect the vitality of enterprises in one way or another. Other aspects of the vitality of enterprise also affect the competitiveness of enterprises and will find expression in enterprise competitiveness. Since enterprise competitiveness is expressed through market competition, it may be taken as an objective criterion for judging the vitality of enterprises. The competitiveness of socialist enterprises is at once identical to and different from that of capitalist enterprises. As noted by the CPC Central Committee in its "Decision on the Reform of the Economic Structure," "where there is commodity production, there is bound to be competition. The point is that the purpose, nature, or scope and means of competition vary under different social systems." The "Decision" also pointed out: Competition between socialist enterprises means that "on the basis of public ownership and subject to the control of state planning and laws, and for the purpose of serving socialist modernization, our enterprises are put to the test of direct judgment by consumers in the market place so that only the fittest survive." In my opinion, the primary feature of the competitiveness of socialist enterprises is that it should be in keeping with the law of socialist economy and socialist principle and should be conducive to the development of socialist economy and the realization of socialist production objectives. This can be done, though the task is a formidable one. We must be fully aware of the formidable nature of this task. Some people said: "The public ownership of the means of production determines that the fundamental interests of socialist enterprises in competition coincide, their targets in competition are common, their cooperation ties are close; and that the order of competition is in line with public morals and is law abiding." This is an oversimplistic notion. Socialist enterprises also have their special interests and targets in competition. Their cooperation ties may be subject to the negative influence of competition and it is possible that violation of social justice, law, and discipline may occur. Socialist public ownership provides the basis and favorable conditions for the proper solution of these problems but we must not think that socialist public ownership alone can guarantee their solution. It also requires that we do well in economic, legal, ideological, educational, and other matters,

including work in respect of enterprises to improve their socialist quality. The "Decision on Reform of the Economic Structure" also warned us: "As for some undesirable trends and unlawful acts that may appear in the course of competition, the relevant leading organs at various levels should keep clear heads, strengthen education and control, and tackle such problems in real earnest." Only in this way can the socialist nature of enterprise competitiveness be maintained.

As I see it, we should attach great importance to the question of how to invigorate state enterprises, particularly large and medium ones, in our economic theoretical research in the 1990's and make earnest efforts to draw some new conclusions and summations in theory.

**Wei Jie (7614 2638) of the Department of Economics of the Chinese People's University: "Studies on Resident Economy Should Be Stepped Up"**

Resident economy refers to the trend of changes in residents' income, savings, and consumption, as well as the interrelating and interacting economic processes between them. As a major constituent in the operation of the microeconomy, resident economy not only has a direct impact on microeconomic operation but is an important factor affecting macroeconomic operation. Since the reform of the economic structure, our resident economy has undergone great changes. Old theories and management methods regarding residents' income, savings, and consumption are obviously unsuited to the activities of the resident economy under new situations. The resident economy with its new characteristics is beginning to reveal problems as it is unsuited to certain aspects of the economic structure. Problems that have cropped up in our national economy in recent years, such as the expansion of total demand and sluggish sales, have something to do with the nonstandard changes in or abnormal operations of the resident economy, contradictions and conflicts between the resident economy and the economic structure, incompetence or mistakes in the regulation of the resident economy, and other factors. Seen from the current situation, the formation of new economic growth points and the formation of a rational gradient between the demand gradient structure and the supply structure in the development of the national economy, as well as questions like how to make residents' financial assets serve the development of the national economy, all depend on the analysis and scientific regulation of the resident economy. Thus, stepping up research on the resident economy and scientifically regulating it are prerequisites for guaranteeing the sustained, stable, and coordinated development of the national economy.

In studying the resident economy, the first issue we have to deal with is residents' income. There are numerous questions regarding residents' income needing to be studied, the major ones being: 1) The new relations between changes in residents' income and other variables in the national economy, particularly variables between residents' income and the revenue of the state



and of enterprises. 2) New changes in the source of income, the regulation of "gray income," and the determination of a reasonable standard of state revenue. 3) Because increases in residents' income has brought about changes in the existing investment structure, should we continue to adhere to the investment structure with fiscal investment as the main form, or should we establish a new investment structure based on bank credit which meets the needs of the new pattern of increased residents' income? 4) Because changes have occurred in the use of residents' income, should we continue to divide residents' income into current consumption funds and deferred consumption funds, or should we conscientiously study the new question of how to make residents' financial assets serve the development of the national economy, having fully taken into account the fact that part of residents' income has been turned into indirect investment funds and that there is now the question of the accumulation of personal property to think about?; and 5) How do we determine the reasonable limits for differences in residents' income and regulate such differences.

On the basis of analyses of residents' income, we must thoroughly analyze the new changes in residents' savings. These include: 1) Utility analysis of residents' savings, including the utility analysis of residents' savings on production, employment, circulation, distribution, and consumption. 2) Analysis of variation factors in residents' savings, including the impact of such factors as income, interest rates, expected income, expected expenditure, and compulsory savings on changes in residents' savings. 3) Analysis of the motivation behind residents' savings, including the interrelations between different savings motivations and the quantified effects of different forms of savings. 4) Increases in residents' savings and analysis of the savings structure, including an analysis of the rate of increase in savings and the ratios between different parts of the savings structure, and 5) Analysis of the usefulness of savings funds, including the usefulness of savings funds under normal and extraordinary conditions. Through the above analyses, we should explore the multiplier of residents' savings, the mathematical models for savings changes, the propensity to save, the effective value of savings changes, the appropriate proportional value of the savings structure, the efficient defined value of savings funds, and so on, in order to provide a scientific theoretical basis and concrete policy proposals for establishing a rational regulatory structure for residents' savings.

Related to residents' savings is residents' consumption. As the ultimate realization of social product and services, residents' consumption directly determines whether or not the national economy moves in smooth cycles and develops. The restriction of social demand on economic development and the formation of new points of economic growth both have something to do with residents' consumption. Thus, it is necessary to strengthen the study of residents' consumption. Residents' consumption involves a host of issues, the major

ones that need to be studied without delay are as follows:

1) New relations between residents' consumption and other economic variables. In particular, we must analyze the interrelations between residents' consumption and problems such as inflated total demand and sluggish sales which have cropped up in succession in recent years. 2) Economic factors that affect changes in residents' consumption, including relations between income and consumption, between expected expenditure and consumption, and between prices and interest rates on the one hand and consumption on the other. 3) New changes in residents' consumption motives and residents' consumption preferences, particularly the relations between residents' consumption and the formation of new economic growth points, and the restriction of residents' consumption on economic development. 4) Readjustment of the stock of consumer goods for residents and consumption obstructions. In particular, we must analyze the factors for the abnormal development of residents' consumption, and 5) The choice of the resident consumption structure and consumption level. In this connection, we must make a special effort to analyze how the consumption structure and consumption level can smoothly develop with the development of the economy and prevent confusion in the development of the national economy as a result of unduly low or high levels of consumption. Also, how they can form an effective demand gradient structure and, through this, stimulate the formation of a rational gradient in the supply structure and ultimately realize the stable and coordinated development of the national economy.

**Guo Shuqing (6753 2885 3237) of the Planned Economy Research Center under the State Planning Commission: "Make a Shift in Basic Point in Order To Clearly Appraise the Situation, Seize the Opportunity To Accelerate Reform"**

Recently, more and more people are talking about the need to speed up the pace of reform. However, views are divided as to how fast reform should be accelerated and what we can do in the near term. The overwhelming majority of the differences in opinion stem from differences in judgment regarding the current economic situation.

Direct observation of the current state of economic operations shows gratifying, as well as worrying, phenomena. If we simply focus our attention on the former, we are likely to come up with very optimistic conclusions; if we only look at the latter, we may come up with very pessimistic conclusions; and if we lump the two types of phenomena together without making any prior analysis, we can only come up with ambiguous conclusions.

The important thing is that we must find the inherent links between these seemingly contradictory factors rather than over-simplistically recognizing them as facts that exist objectively. For instance, we have to look into the links between rapid growth of bank loans, the sustained growth in residents' income in excess of economic

growth, and the repeated devaluation of the renminbi against foreign currencies on the one hand, and the basic stability of the general retail price level on the other; the links between the situation whereby enterprises are faced with debt chains, poor performance in profit and tax realized, and the shortage of funds on the one hand, and the high rate of growth in savings and credit on the other; the links between the resurgence of repetitive construction, the launching of uneconomical projects, and the massive inroad of civilian funds into the stocks and bonds market on the one hand and the fact that major transportation, energy, and water conservancy projects with obvious social and economic benefits have difficulty raising the necessary funds; and the links between the continuous development of favorable trade balances, increased foreign exchange reserves, and the problems of extending credit in foreign currency in the domestic market on the one hand and the continuous expansion in the use of foreign capital, particularly harsh commercial loans, on the other. On the one hand, we have a huge labor surplus, massive stockpiling and idle productive capacity, as well as foreign exchange that greatly exceeds normal reserves; on the other hand, many underdeveloped sectors of the national economy have not been quickly strengthened. On the one hand, the national economy is beginning to recover and, on the other, the financial situation is further deteriorating. These contradictory phenomena do not coexist by coincidence. If we carefully analyze their interrelations, we can come up with this basic conclusion: The operating mechanisms of our national economy have undergone a substantial change.

This change is: After more than 10 years of reform, the typical resource-bound economy has evolved into a demand-bound economy with elements of the resource-bound economy. Thus, from the perspectives of the consumers and enterprise end-users, most of the basic traits of the shortage economy that have long prevailed in all socialist countries have disappeared in our economic life. From the perspectives of the producers and operators, although their production and operational activities are still subject to nonmarket factors, they are now basically market-oriented even though the market is still distorted in some ways. From the perspectives of macroeconomic management, the practice of relying on the centralized allocation of supplies has, in the main, been replaced by a practice whereby the economy can basically be regulated and controlled by means of monetary resources, although direct administrative intervention still cannot be eliminated.

Such is the basic character of the Chinese economy. If we look back from this basic point on the phenomena and contradictions that characterize our economic life, we can clearly see their links and comparability and hence find the main threads of this complicated affair. The market mechanism has become a fundamental regulatory mechanism and has demonstrated its great vigor and vitality in the national economy. On the other hand, the market mechanism is still flawed by barriers and

tangles and planned management is still beset with mistakes and drawbacks because timely adjustments have not been made. Thus, the production structure has seen little readjustment and deterioration being seen in certain respects. The problem of unfair distribution of income has also not been fundamentally checked. All in all, there is every need to speed up the pace of reform and the need is a very urgent one.

Is it possible to speed up the pace of reform? At present, we have three major worries: 1) We are worried that inflation will stage a comeback. As long as the commodity economy exists, inflation may occur. This is true with developing and developed countries alike. However, as things stand in China, the likelihood of inflation due to the shortage of commodity supply is very small because, after three consecutive years of relative overproduction, we have increased our social stock by nearly 500 billion yuan, with considerable productive capacity to spare, and have accumulated over \$40 billion in foreign exchange reserves. On the other hand, our consumption structure is now in a historical period of transition with the consumption of food, clothing, and other necessities entering a period of steady growth and consumer services, such as transportation, telecommunications, and housing being the leading areas of consumption growth. However, since most of the consumer services are long-term consumption in nature, their growth implies stronger savings motives. 2) We are worried that proper arrangements cannot be made for the unemployed and those awaiting job placements. Through enterprise reform and the encouragement of competition, unprofitable enterprises are bound to be eliminated. If the re-employment of staff and workers made redundant is not taken care of properly, social security will be threatened. Here, we must point out that, first of all, the number of enterprises becoming insolvent or being ordered to close down, suspend operations, amalgamate with others, or switch to manufacturing other products, is not as great as has been estimated. Today, many enterprises are sustaining losses because of difficulties in selling their products due to insufficient demand for essential products in total supply and demand. Once the balance between total supply and demand has been achieved and maintained, the situation will change for the better. Second, we must understand that the Chinese economy is in a period of growth. There are no "sunset industries," only a great number of product "blanks." More importantly, nearly all service trades are in urgent need of total expansion and these will absorb a huge labor force. In this connection, the planned guidance and encouragement of the government will be needed. As far as enterprises that have to be closed down, suspended, amalgamated with others, or switched to manufacturing other products are concerned, mergers and auctions should be arranged wherever possible and the restriction of "keeping things unchanged in three respects" should be done away with. Many enterprises and enterprise groups are urgently in need of expansion and the need will become even greater after the macroeconomic situation has improved. Lastly,



the closing down, suspension, and amalgamation of enterprises, and the switch to other lines of production, should be carried out batch by batch and stage by stage. They should not be carried out all at once. Work should not be abandoned halfway, of course. 3) We are worried that the tolerance level of society and of residents is not high enough. First we must be aware that, after more than 10 years of reform, the income and living standards of the overwhelming majority of the people have been increased. The masses have a personal understanding of the necessity and urgency of reform and the main trend of public mentality and opinion welcomes and supports reform. Second, in many cases it is only a handful of people, such as those who rely on the "double track system" of pricing to seek illegitimate gains, who will suffer a loss as a result of reform, while the overwhelming majority of people will stand to gain, or at least not suffer any losses (because they have accepted high market prices or have been subsidized after the upward price readjustment). Thus, such worries are totally unfounded. Third, some reforms, such as the reform of the housing system and the reform of other social welfare and security systems, will indeed add to individual burdens. In these reforms, it is necessary to widely solicit the opinions of the masses beforehand. The share to be borne by individuals must be appropriately fixed and things must be done as fairly as possible. Reform programs should only be introduced when they are found acceptable by the majority.

From the abovementioned analysis, we can conclude that the conditions for accelerating the pace of reform are very favorable indeed. Whether we looking at it from the angle of: The readjustment of the production structure; the establishment of the market system and the replacement of the enterprise operating mechanisms; or of resolving serious problems, such as repetitive construction, friction, and harm brought on by the "double track system," the state sector of the economy should be accorded priority in the present stage of reform. This is something too complicated for discussion here. However, a measure of first importance is to expand the issuance of stocks and bonds and develop the monetary market primarily for the purpose of raising construction funds for basic industries and new and high technology industries. This measure can yield good results in many respects. For instance, it can closely combine reform with development, expand investment, and promote economic recovery by: Strengthening the supply capability of the underdeveloped industries; improving the industrial structure; readjusting the expenditure structure for residents' income; reducing the pressure on the consumer market; reforming the organizational structure of enterprises; strengthening property right constraints; changing the identity of investors; guiding the flow of savings funds; further stabilizing residents' savings; and stabilizing society. Of course, the issuance and circulation of stocks and bonds must be subject to unified planning and strong management.

Lastly, I must repeat that seen from an analysis of the economic situation, the favorable conditions for reform

are unprecedented. If we let slip this opportunity, economic development in the 1990's will suffer enormous losses. Worse still, the modernization of the Chinese economy will lose its last opportunity.

**Chen Dongqi (7115 2639 3825) of the Institute of Economics under the Chinese Academy of Social Sciences: "The Theme of Economics in the New Stage of Development of the Chinese Economy"**

The economic miracles of the 1980's have unexpectedly pushed the development of the Chinese economy to a new stage. A comparison between today and a decade ago shows people living in two distinctively different worlds. In the past, all we wanted was to have enough food and clothing; today we are seeking a relatively comfortable standard of living. In the past, we had to go to designated shops and queue up for basic daily necessities under conditions of absolute shortage; today we are able to freely choose from a rich variety of commodities. In the past, we spent what we earned; today each household has at least two or three passbooks. In the past, our concern was that we would not starve to death; today, our concern is how we can live a long life. In short, through reform, opening up, and development in the 1980's, Chinese life has evolved from a quantitative mode of subsistence-oriented living into a qualitative mode of enjoyment-oriented living. The quality of life has become the very heart of consumer behavior, a change that has compelled enterprises to update their operation and management, carry out structural readjustments, and improve the quality of their products. On account of the introduction of market regulation and competitive mechanism in enterprise operation, town enterprises, private enterprises, and some of the competent and flexibly-operated collective enterprises have strengthened their competitive edge in the market, enterprises with antiquated technology, outmoded management methods, products that have not seen any changes for decades, unimaginative organization of business operations and poor market adaptability, particularly the overstaffed state enterprises, are finding their survival and development in critical danger. They are deeply aware of the need to follow the new trend with consumers favoring a higher quality of life. This is bound to trigger off a microeconomic revolution of great magnitude and profundity. Revolution in household consumption will lead to a revolution in enterprise operation and this will become the main trend of economic development in China in the 1990's. In the meantime, household consumption itself will undergo more profound changes. An increasingly evident trend is that consumer mentality, consumer preference, current and potential consumer demand, and consumer behavior arising therefrom, will become the source of regulation for all economic activities. Gone are the days when investment, production, and sales were planned without taking consumer choices into account and only served the dictate of vertical orders outside the process of transaction between the buyer and the seller. The era when "supply automatically creates demand" is superseded by the era when "demand decides supply." Today,

if the government and enterprises do not take changes in consumer choice into account, do not pay attention to the readjustment of consumer expectations, and do not study the trend of the law and changes of their mentality in making policy decisions in matters of investment and production, economic operation will meet with difficulties and the crises of surplus and shortage will alternate. Consumer choice determines everything and buyer's choice decides the behavior of sellers. This is the main trend of the new stage of development of the Chinese economy.

Faced with changes in the economic development stage, Chinese economics logically puts forward the task of self-innovation. In this connection, top priority is to be given to the conceptual innovation in Chinese economists. This requires that economists must never stick in a rut, or only stress book knowledge and the wishes of the higher authorities but must stress practice instead. The old dogma which says that we should "produce according to plan and consume what is produced" is no longer suited to the needs of the new stage of economic development. The sequence of research must be reversed: Find out what consumers need so enterprises and planners can decide what to produce. In this way, economics originating from planners, enterprises, and production will be forced to yield its place to economics originating from consumers. Thus, the primary logic of economics will turn from "it is the producer, or supply, that decides everything" to "it is the consumer, or demand, that decides everything."

Whether it be in the Eastern tradition ("socialist political economy") or in the Western tradition ("bourgeois economics"), traditional economics invariably emphasizes the concept of "efficiency," the need to "achieve maximum output from minimum input," and the maximization of earnings at minimal cost on the basis of a series of self-made assumptions. The difference between the two is that the Western tradition submits more to the function of the capitalists, that is, the maximization of profits, while the Eastern tradition submits more to the function of the planner, that is, the maximization of the gains of all producers. However, to a greater or lesser extent, both tend to "give priority to producers' sovereignty" rather than "giving priority to consumers' sovereignty." Western neo-classical economics, which stresses the notion of "utility," has in fact shifted the theme of economics because "utility" is based on the judgment of consumers and on the satisfaction of consumer demands. No matter how high the output value, how large the output volume, how fast the growth rate, an economic system can produce nothing but trash if it cannot satisfy consumer demand and cannot be translated into economic utility. It is uneconomical and counter-economical. While increased stockpiling may contribute toward nominal output, it is meaningless as far as consumers are concerned. On the contrary, "production and marketing without stockpiling" is the most economical. Since the 1980's, the Chinese economic system has been troubled by a sluggish market which had

not been seen before and the much talked about "shortages" have been superseded by "insufficient demand for essential products." This shows that the Chinese economy has entered a new stage of growth. It also presents socialist economists for the first time with the question of how overstocking is to be dealt with. Is it due to overproduction in excess of needs? Or is it due to under-consumption? Does it mean that the traditional mode of production which does not take consumer expectations, mentality, and behavioral changes into account is faced with new challenges? Or does it mean that we are being punished for allowing changes in the production and supply structures to lag behind changes in the consumption and demand structures? The crux of the problem lies in the fact that "giving priority to consumers' sovereignty" has become the core of the operation of, and changes in, the economic structure. "Efficiency" is not determined by output value and its growth, which are measured by planned targets, but by utility and its growth, which are established on the basis of the consumer evaluation system and recognized by the market.

In addition to "efficiency," "structure" is probably the term used most frequently by economists today. However, in an economy which "gives priority to consumers' sovereignty," the material "structure" which encompasses material production, exchange, distribution, and consumption is ultimately the result of man's choice, that is, consumers' choice. Thus, in studying structural changes, we must first of all take into consideration changes in the consumers' mentality, preferences, and level of satisfaction. We are bound to go astray if we depart from this basic notion in trying to achieve an optimum structure. Hence, another implication of the change in the theme of economics is the shift from matter as the center to man as the center.

In China, changes in the economics theme are decided not only by changes in the stages of development but also by changes in the structural mode and the operating mechanisms. When the distribution of economic resources is determined by administrative decisions and state plans alone, the propositions in force in economics are: Supply will automatically create demand; consumption is to be determined by production itself; what economists stress are output value and quantity; and the production and supply structures should be determined according to the set of planned targets. When the distribution of economic resources is determined by the market under planned guidance, the propositions in force in economics should be: Demand and consumption should determine supply and production; economists should pay more attention to benefits and quality; and the production and supply structures should be determined according to the consumption and demand structures based on market evaluation. Thus, the shift in the theme of Chinese economics originates from reform in market orientation. The prosperity of economics in the new stage of the development of the Chinese economy ultimately comes from market prosperity.

**Liu Wei (0491 0251) of the Department of Economics of Beijing University: "Respecting Practice Should be the Basic Academic Integrity of Economists"**

Economics is an applied science. This was something Mr Chen Daisun (7115 1486 1327), our former department head, repeatedly told us when I first came to Beijing University. I think it reasonable to explain economics this way. It is precisely for this reason that economists must firmly embrace the concept of practice. Respecting practice should be the basic academic integrity of any economist with a sense of social responsibility. In reality, this is also the concentrated expression of the academic class nature, scientific spirit and thorough-going truth-seeking spirit of Marxist scholars or those who aspire to be Marxist scholars. In particular, at a time when the intensification of socialist economic construction and the economic reform are continuously creating new problems, many of which are difficult and of historic significance and a pioneering nature, it is all the more necessary for economic research to fully respect practice, conscientiously observe the growth points of theory from the perspective of practice, look practice in the face, and develop and form theories for the sake of practice. We should not subjectively ignore practice in trying to fabricate theories, still less should we dogmatically criticize practice. All fabricated theories and criticism of practice which ignore practice are meaningless and will ultimately be criticized and negated by practice. This has been repeatedly proved by the history of the development of economic thought, as well as by the process of historical practice and theoretical probes in our development and reform.

Of course the practice that must be respected in economic theoretical research aimed at promoting socialist economic construction with Chinese characteristics is primarily national conditions with Chinese characteristics and specific historical conditions, which chiefly find expression in the nature and demands of productive forces at the present stage, as well as the socialist system. How can we develop the commodity economy based on socialist public ownership? How can we effectively breed the market mechanism on the basis of public ownership and make it compatible with public ownership? How can we make public ownership effectively ensure the smooth running of the commodity economy without changing its very nature and provide the necessary institutional conditions for planning and the market? These are historic questions put forth by practice which have never been resolved by our predecessors. They include questions never encountered or answered by the writers of the Marxist-Leninist classics and, so far, practice by others has not yet created any truly successful precedents. We must, and indeed can only, rely on our own practice to answer the historic questions encountered in socialist construction and reform with Chinese characteristics. This kind of practice is pioneering in nature and something never attempted by anyone before us. Hence, it urgently needs the guidance of scientific theories. It requires that economic theoretical research come close to practice, respect practice, and understand practice.

The period of historic change when practice sets the pace for theories is also the period with the most pressing need and the most vigorous call for theories. It is also the period with the most pressing need for theoretical research to respect and understand practice. We want theories, which originate from practice and are developed for the sake of practice, to guide and serve practice. We do not want "theories" which over-simplistically negate and criticize practice and which are totally oblivious to the complicated nature and difficulties of practice.

The practice of building socialism with Chinese characteristics has its own principle. It is the historical practice of socialism in China. As practice, it must be a real creation. This determines that theoretical research must be an explorative process that shows creativeness, the spirit of scientific democracy, and the spirit of everyone being equal before practice. The party's policy of "letting a hundred flowers blossom and a hundred schools of thought contend" is correct because life itself, and the great process of practice, recognize no dogma or dogmatic authority. A person who does not understand practice has no right to criticize practice.

Respecting practice essentially means respecting the life and creation of the masses of the people. The building of socialism with Chinese characteristics, the development of the Chinese economy, and reform are full of vitality because they are undertaken by hundreds of millions of people under the leadership of the party. Can we deny that the achievements made in reform and development since the Third Plenary Session of the 11th CPC Central Committee, particularly the great pioneering undertaking of rural reform which centered round the introduction of the contract responsibility system on a household basis, did not originate from the creativeness of the masses of the people? In economic theoretical research, we must respect practice and respect the creativeness of the masses in practice. We must understand and appreciate people's demand for changes, why they have this demand, and how theoretical research can correctly explain and guide this demand. Theories that ignore the things created by the masses in everyday life have no future, nor do theories that sidestep the objective facts of everyday life. Theories that are truly acceptable to the masses are not dogma that specifically teach people how to live and do not point accusing fingers at the things created by the masses. Rather, they can guide and encourage people to plunge themselves into practice and to bring into play creativity and imagination that have direct relevance to their own interests. A major indication of theoretical research being divorced from mass practice is to have theories that pay no attention or give no recognition to, even doubt or negate without good grounds, things that are universally present, are in the ascendant among the masses, or things chosen by the masses out of their own interests. We should have theories that support, guide and serve practice with a genuine and positive desire for progress.

Of course, this does not mean that nothing taking place in practice can be criticized. All we are saying is that theoretical research must respect mass practice and face up to the test of the historical practice of reform and development. When guidance for, and criticism of, some of the things that have taken place in practice are necessary in the great and profound practice of development and reform in China, or in the arduous course of exploration, such criticism must be based on practice. We must not adopt a subjective or dogmatic approach to practice or the criticism of practice. We believe that under the correct leadership of the party Central Committee, and the guidance of the ideological line of seeking truth from facts, our economic theoretical research will penetrate more and more deeply into practice and will more faithfully follow, respect, and understand the great practice.

### Provincial

#### Hebei Measures for Enterprise Reform

SK3004125892 Shijiazhuang HEBEI RIBAO  
in Chinese 22 Mar 92 pp 1

[Eleven measures on further accelerating enterprise reform issued by the Hebei Provincial Party Committee and the Hebei Provincial People's Government on 18 March]

[Text] To seize the current favorable opportunity, to accelerate the pace of enterprise reform, and to promote economic development, we hereby issue the following 11 measures:

1. We should grasp the objective and orientation of deepening enterprise reform well. Reform is aimed at liberating and developing the productive forces. Reform is a motivation, and development is the aim. In developing productive forces, we must take reform as the starting point, and carry out reform in close connection with the development objective. The core of enterprise reform is to push enterprises to the market, gradually establish a production and operational mechanism that is compatible with the development of the planned commodity economic performance, and enable enterprises to realistically become independent socialist commodity producers and managers that assume sole responsibility for their own profits and losses, seek development through their own efforts, and set restrictions on their own activities. Therefore, in changing enterprise operational mechanism, we should carry on the work in line with the overall ideology of "serving the market, taping potential, and increasing efficiency," consider these as our objectives, effect two changes (change the practice of eating from the same big pot prevailing in the relations of enterprises to the state and those of workers and staff members to their enterprises), and successfully carry out three supporting reforms (the supporting reforms of the government management functions, of the internal enterprise reform, and of the social welfare benefit system).

2. We should boldly explore various forms for changing enterprise operational mechanisms. Most enterprises that do not undertake or undertake a few mandatory planning tasks should enjoy full authority in management, including the authority to independently carry out production and operation, to fix the prices of their own products, to determine internal distribution, to employ workers, to conduct technical transformation, and to decide on their organizational set-up. Enterprises whose product sales are good, or enterprises which have to implement a large number of mandatory plans may select some sub-plants (workshops) and manage them in line with the management method of sino-foreign joint ventures. In a small number of key enterprises that meet the requirements of the industrial policies and have great potential for development and heavy technological transformation tasks, and greatly affect the overall economic situation, we may implement the total input-output contract system. Regarding a small number of enterprises running in the red for a long time, failing to cover the debts with their assets, and having no hope of ending deficits, we should close them down, suspend their production, merge them with other plants, or urge them to change their line of production or declare bankruptcy in line with the law. Meanwhile, we should actively experiment with all forms of the shareholding system, such as bringing in foreign capital, absorbing funds from other economic sectors, urging enterprises to mutually purchase shares, and allowing enterprise workers to buy shares. In developing enterprise reform, we should uphold the principle of seeking truth from facts and suiting measures to local conditions. The specific form of reform should be independently chosen by enterprises. They may boldly do experiments and boldly carry out things that are conducive to enhancing enterprise vitality and liberating and developing productive forces and are approved by the local governments.

3. We should let enterprises enjoy decisionmaking rights and guarantee that enterprises can be operated independently. To deepen enterprise reform, while making continued efforts to uphold and implement the principle of "fully displaying the core role of party organizations, persisting in improving the plant director responsibility system, and wholeheartedly relying on the working class," we should also conscientiously implement the decisionmaking right which the "enterprise law" has given to enterprises. At present, we should particularly emphasize that enterprises have the power to decide on the establishment and adjustment of their organizations and the size and use of their managerial personnel; that proposals for the appointment and removal or employment and dismissal of the leading administrative cadres at the deputy plant director level are made by enterprise directors (managers) and then submitted to pertinent government departments for approval; that the appointment and removal of mid-level administrative personnel are decided by directors after they are recommended and evaluated; that enterprises have the power to employ workers according to relevant state and provincial regulations and the power to dismiss or fire workers

according to the "regulations on the reward and punishment of enterprise workers;" that enterprises have the power to decide on their internal distribution methods; that enterprises have the power to decide on their own production and managerial plans except for the mandatory plans assigned by the state; and that enterprises have the power to decide on the prices of all their products except for those whose prices should be fixed by state and provincial price departments according to regulations. No department is permitted to arbitrarily intervene in enterprises' implementation of the aforementioned powers, and those that exercise intervention will be regarded as a violation of administrative discipline and punished accordingly. Implementation of all the documents issued previously by the provincial party committee and government and relevant departments that are in contradiction with this measure should be stopped.

4. We should strengthen the enterprise mechanism of responsibility for their own profits and losses and eliminate the practice of enterprises eating from the "common big pot" of the state. Enterprises which institute the contract responsibility system should strictly implement their contracts. The extra amount of profits that enterprises are entitled to retain for their own use after they create extra profits should all be left to enterprises. All enterprises should make sure that they deliver profits to higher authorities in the full amount, and those who fail to fulfill the profit delivery quotas or suffer deficits due to managerial reasons should use their own funds—in the order of reward funds, welfare funds, and production development funds—to make up for the deficiencies. Enterprises suffering deficits due to managerial reasons will not be subsidized by financial departments, and their total wages should be reduced in accordance with their declined economic efficiency in line with regulations. Regarding those which do not have their total wages reduced, the major responsible persons of the departments which gave the approval should be held responsible. Enterprises which exceed their annual deficit quotas and those which do not have deficit quotas but have incurred losses should have all the bonuses for their staff members and workers suspended and the standard wages for their leading cadres at the plant director level and mid-level leading cadres reduced by 20 and 10 percent, respectively, until their deficits are reduced to below the quotas or until they stop losing money. Regarding the enterprises which lose money due to managerial reasons, their leading cadres at the plant director level must not be transferred before they shift deficits to profits, and their major leading cadres should be dismissed or demoted if they fail to put an end to the deficits within a fixed time. Enterprises' hidden deficits incurred before the end of 1991 should be made public after they are checked and should be absorbed by enterprises themselves in two to three years, in general. Beginning this year, enterprises which are found again to have incurred deficits but have made false profit reports should have an extra amount of total wages resulting from the false profits recalled. In addition, their major

responsible persons should be punished according to administrative disciplinary actions or dismissed if the cases are serious, and other personnel concerned should be dealt with according to the "State Council provisional regulations on punishment for violation of financial laws and regulations."

5. Starting with the work of eliminating the common big pot, iron rice bowl, iron wage, and iron position, enterprises should fully regain their internal vigor. The focus of enterprise reform is to eliminate the practice of workers eating from the common big pot of enterprises and the iron position, iron rice bowl, and iron wage. We should establish within enterprises an employment mechanism under which cadres can be promoted or demoted, and staff members and workers employed or dismissed as required and a wage distribution system under which wages can be higher or lower as required. All enterprises should actively enforce the recruiting system among managerial cadres and full-time or technical personnel by starting with smashing the iron position; optimize (rationalize) the labor union of staff members and workers; smash the demarcation line between cadres and workers; and carry out an emulation drive among cadres, staff members, and workers so as to bring their enthusiasm into play. The internal distribution of enterprises should be carried out by commending the outstanding and punishing the bad and by adequately classifying the work results so as to gradually increase the proportion of wages linked to the work results of staff members and workers and to enable the distribution to be favorable to those who engage in production and scientific research and are taking up dirty, hard, weary, dangerous, and highly technical work. Various localities should actively have a number of enterprises take up the pilot work of conducting reform in the contracting system of all laborers and the wages system linked to post, technology, and skill. We should make great determination, have a thorough consideration, and adopt adequate methods in smashing the "iron rice bowl, iron wages, iron position, and the rigid system of eating from the same big pot". Efforts should be made to have leading personnel set examples in the reform and party and government organs and industrial enterprises coordinate with each other, to enhance the ideological and political work, and to rely on all staff members and workers to formulate relevant and associated measures and to ensure the smooth progress of important reform.

6. In line with the demands of establishing new systems and mechanisms, we should earnestly shift the governmental function of economic management. According to the demand of having enterprises geared to markets, we should gradually decrease direct management over enterprises. Hereafter, the emphasis of management conducted by governments is to successfully direct the leading body of enterprises, their enforcement of the contracting system, their wages linked to work results, and their development plan; and to conduct necessary supervision. In other fields, governments should allow

enterprises to take care of themselves. To ensure that enterprises concentrate their efforts on successfully grasping production and management, all inspection and appraisals of enterprises, which have not been approved by the prefectural administrative office and the city people's government, will not be allowed. Efforts should be made to resolutely block the bad practices of apportioning expenses, collecting charges, and imposing fines arbitrarily. Charges collected from enterprises should be approved by the prefectural administrative office and the city people's government. Otherwise, all cases will be handled with the charge of discipline violation and the supervisory department will call the personnel involved in the cases to account. Departments under the government should change their managerial form and work style, upgrade their working efficiency, and realistically render services for grass-roots level units. As for items that should be submitted by enterprises, in line with regulations, to governmental departments for approval, we should fix the date of winding up approval. The application without an answer from the relevant department will be regarded as consenting to it and the department concerned should assume responsibility for the delay. As for the enterprise application that involves the affairs of several sections of offices within the department, we should assign one section and office to handle the case. By no means should we have comrades from grass-roots level units ask for the approval of every section or office. No departments are allowed to argue back and forth in handling the application. We will call to account the responsible personnel of the department, who has to assume responsibility for the delay. The provincial level departments of finance, tax revenue, industry and commerce, commodity prices, labor affairs, and banking as well as administrative departments should immediately engage in studying and formulating plans for shifting the function, supporting enterprises to deepen reform, and emancipating or developing productive forces; and should put them into effect after they have been approved by the provincial people's government.

7. We should accelerate the pace of conducting reform in the socialist unemployment insurance system. To ensure smooth progress in conducting reforms in the labor system of enterprises and in the readjustment of organizational structure among enterprises, it is imperative to accelerate reform in the socialist unemployment insurance system. Starting in 1992, all provincial level cities should upgrade the standard of charges for unemployment insurance among the state-run industrial and commercial enterprises and expand the scale of pilot work in enforcing the unemployment insurance system. All counties (county-level cities) that have taken up the pilot work in this regard should change the insurance charge from one percent of the standard wages of staff members and workers to one percent of the standard wages of enterprises. Except for the state provisions, the scale of enjoying unemployment insurance is that we should also enforce the unemployment insurance among staff members and workers who have been dismissed from the

enterprises in line with the enterprise "regulations and rules" for awards and punishment and lost their jobs after honoring their labor contracts as well as among the surplus personnel for whom enterprises are unable to make job arrangements.

8. We should delegate the power of examining and approving investment projects to the lower levels and support enterprises to successfully carry out technological transformation. Productive investment projects in the five cities of Qinhuangdao, Tangshan, Cangzhou, Shijiazhuang, and Handan each with a total investment of less than 30 million yuan, and in other prefectures and cities and in the 12 counties (cities) in the foreign economic open zone around the Bohai Bay each with a total investment of less than 20 million yuan may be approved, planned and started by the cities and prefectures themselves provided the sources of funds raised by the localities can be guaranteed and the projects meet the requirements of the industrial policy. The technological transformation projects of state industrial enterprises that require a fund of less than 5 million yuan may be decided by enterprises themselves provided the projects meet the requirements of the industrial policy. The funds raised by enterprises themselves should include internal collective funds, the purchase of shares by various economic sectors and economic units of different relations of subordination, and cooperative funds. All capital construction and technological transformation projects decided by enterprises must be respectively reported to the provincial Planning and Economic Commission and the Production Office for the record.

9. We should strengthen the collection and the flow and rational use of funds, and expand the investment in fixed assets. The provincial People's Bank should organize all specialized banks to strive for increasing the scale of our province's credit and funds from the state bank, and try by all possible means to make up for the difference between the target of the increased credit funds fixed by the province and the quota issued by the head offices of the banks; strive to grasp well the work of linking the reduction of stockpiled goods with the issuance of loans for technological transformation, and increase technological transformation funds; make flexible use of reserve funds, and withdraw due and overdue loans; raise the capacity of the interlending-loan market, stock market, and foreign-exchange regulation market; popularize the experience of making enterprises issue stocks and bonds, and collect funds internally; expand the labor insurance system and the scope and scale of interlending loans among the International Trust and Investment Company, the Construction Investment Company, and the Communications Bank; actively and boldly use loans from foreign governments and the World Bank, commercial loans, credit for the purpose of export, and loans from banking groups; develop the renting and agency business and deepen the reform of the urban and rural credit cooperatives. This year we should particularly successfully grasp the issuance of enterprise bonds and the establishment of securities markets, expand the



experiment of the shareholding system, and actively create conditions for striving for state approval for building the stock market.

10. We should strengthen the establishment of the market system and create conditions for changing the mechanisms of enterprises. This year, we should give priority to strengthening the market regulation mechanism in such aspects as planning, prices and investment, and exert efforts to expand the scope and role of market regulation. We should step up our efforts to develop the markets for essential production factors, including funding, capital goods, trained personnel, labor service, science and technology, information, property rights transactions, and real estate markets, and specialized wholesale markets, and futures markets; display the superiority of the groups of state and cooperative commercial units; develop new organizations for the circulation of goods, including enterprise groups, integrated industry-commerce, industry-foreign trade, and agriculture-industry-foreign trade units, as well as domestic and foreign trade units; and rapidly form a new pattern of large-scale commerce, large markets and large-scale circulation of goods.

11. We should strengthen leadership and firmly implement our work. Accelerating the reform pace and pushing the economy forward as quickly as possible are the tasks of prime importance in face of the party committees and governments at all levels. To deeply and solidly develop reforms, the principal leading cadres at all levels, on the one hand, should take the lead in emancipating minds, have the enthusiasm of daring to be the first to do a work, have courage to proceed from the reality in doing things that are conducive to liberating and developing the productive forces, do experiments boldly, draw experiences, and popularize them gradually; on the other hand, they should conscientiously plan and carefully organize their work, work in a down-to-earth manner, and seek actual results. Those who are keen on blazing new trails and achieving noticeable success in reform should be commended and awarded; those who are slow in action, adopt a wait-and-see attitude, and hesitate in doing their work should be educated; and those who have a rigid way of thinking, work listlessly, and fail to create a new situation for a long time must be dealt with in line with organizational measures. We should realistically strengthen ideological and politically work, strengthen media guidance, form an enthusiastic reform atmosphere, and take active and reliable steps to advance reforms.

**Hebei Report on Economic Development**  
*SK0405153792 Shijiazhuang HEBEI RIBAO*  
*in Chinese 19 Mar 92 p 2*

["Excerpts" of report on fulfillment of Hebei Province's 1991 national economic and social development plan and on 1992 draft national economic and social development plan given by Gong Huanwen, chairman of the Hebei Provincial Planning and Economic commission,

at the fifth session of the seventh Hebei Provincial People's congress on 3 March]

[Text] The Guidelines and Major Tasks Arranged in the 1992 Plan

The guidelines arranged in this year's plan are to comprehensively implement the party's basic line, realistically shift the economic work priorities to readjusting structure and improving efficiency based on the achievements of consolidation and rectification, be bolder in implementing reforms and opening, strengthen and improve macroeconomic regulation and control, strive for bumper agricultural harvests, successfully run large and medium-sized enterprises, attend to key construction projects, further develop science and education, actively promote technological progress, work arduously, practice economy, act according to our capacity, do what we can, and promote a coordinated national economic and social development.

The 1992 plan is arranged in accordance with the aforementioned guidelines and in line with the overall demands of the Eighth Five-Year Plan and the 10-Year Program, and the main objectives are:

The GNP should increase 6 percent, and the national income should increase 5 percent over the previous year's figures.

The agricultural total output value should increase 4 percent over the previous year's figure. The total grain output should reach 23 million tons or 23.25 million tons; that of cotton, 650,000 tons; that of oil-bearing crops, 750,000 tons; and that of meat, 1.41 million tons or 1.45 million tons.

The total industrial output value should increase 8 percent over the previous year's figure. In line with the market demands and the need to readjust the product mix, we should strive to increase or maintain same level of output of 78 out of 87 major industrial products arranged in this year's plan. Of this, the power output should reach 43.75 billion kwh; pig iron, 6 million tons; rolled steel, 3.20 million tons; soda ash, 390,000 tons; chemical fertilizer, 1.33 million tons; motor vehicles, 20,000; television sets, 320,000; chemical fibers, 32,000 tons; machine-made paper, 890,000 tons; and raw salt, 2.60 million tons, all showing varying degrees of increase the previous year's figures. The output of nine products, including crude oil and cigarettes, will be appropriately reduced in the plan because of the restrictions of natural resources and markets.

The local social investment in fixed assets will be 20.35 billion yuan, up 6.3 percent over the previous year's figure. Of this, the investment in fixed assets of state units will be 8.69 billion yuan, up 10.6 percent; investment in fixed assets of collective units, 3.5 billion yuan, up 7.1 percent; and investment in fixed assets of individuals units, 8.2 billion yuan, up 2.3 percent. Of the investment in fixed assets of state units, 3.55 billion yuan will be used for capital construction projects, up

12.7 percent over the previous year's figure, if calculated in terms of comparable standards; and 4.02 billion yuan will be used for technological transformation, up 11.9 percent.

The financial revenue will reach 9.62 billion yuan, up 4.4 percent over the previous year's figure, if calculated in terms of comparable standards. We should strive to strike a balance between revenue and expenditure and to ensure that no new deficits will emerge.

The total social retail sales of commodities will increase 10.6 percent over the previous year's figure, and the increase in the general price index of retail sales will be kept within 6 percent.

The total export value of local ordinary trade and "joint, cooperative, and foreign-funded" enterprises will be more than \$1.4 billion, and the increase will not be lower than the national average; the actual utilization of foreign capital should reach \$152 million yuan, up 10 percent over the previous year. We will sign contracts with 400 "joint, cooperative, and foreign-funded" enterprises and bring in 200 advanced technologies.

Efforts will be made to tackle 320 scientific and technical problems and popularize 100 advanced and mature scientific research achievements. Ordinary institutions of higher learning will enroll 19,100 students, an increase of 0.8 percent; secondary specialized school will enroll 37,000 students, an increase of 8.2 percent; and institutions of higher learning for adults will enroll 14,200 students, an increase of 4.1 percent.

The average cash income of workers will increase 5 percent or so over the previous year's figure, and the average per-capita net income of peasants will increase 4 percent or more.

The natural population growth rate should be controlled within 13.61 per thousand during the year.

To attain the aforementioned targets, the plan arranges its major content and specific tasks as follows:

A. We should adopt every possible means to reap a good harvest in agriculture to promote the development of the rural economy in all sectors.

This year's plan calls for particular efforts in the following measures. 1) We should continue to stabilize the responsibility system focusing on household-based contracts that link remuneration to output, continue to improve the dual management system whereby unified management is combined with independent management, actively develop the socialized service system, and gradually expand the strength of the collective economy. Emphasis should be placed on improving the service organizations at the township and village levels. 2) We should adjust the structure of crops in line with specific local conditions to ensure the acreage sown with grain, cotton, and oil-bearing crops. The plan arranges the areas sown with grain as 101 million mu, those sown with cotton 13.5 million mu, and those sown with

oil-bearing crops 9 million mu. Arable land used for the purposes other than farming should be kept within 100,000 mu. 3) We should continue to increase agricultural investment and strive to improve the conditions for agricultural production. Funds from various channels throughout the province to be used in agriculture this year will be approximately 4.5 billion yuan, an increase of 400 million yuan from the preceding year. We should conscientiously regard water conservancy projects as an important industry and step up efforts to build them. In the process to provide work as a form of relief, we should further speed up the project to comprehensively improve the areas along Hai He and step up the comprehensive agricultural development of these areas. According to the plan, 3.56 million mu of low- and medium-yielding farmland will be transformed, 183,000 mu of wasteland suitable for farming will be reclaimed, 3 million mu of waterlogged areas will be improved, and effective irrigated land will be increased by 1.24 million mu. 4) We should accelerate application of various applicable agrotechnology. We should continue the mandatory plans for the application of the 30 items of technology in 10 categories for increasing production, such as systematic cultivation, integration of summer grain and autumn grain, dry land farming, scientific application of fertilizer, and insect pest control. 5) We should further strengthen the support of all trades and professions to agriculture. Focusing on the efforts to resolve peasants' difficulties in purchases and sales, we should improve the supplies of agricultural means of production, do a good job in the purchases of farm and sideline products, and intensify construction of storage facilities. 6) We should greatly develop township enterprises. In line with the requirement for adjusting the structure and improving efficiency, we should adhere to the principles of attaching "equal importance to development and improvement" and of developing "enterprises run by townships, villages, and households jointly or individually, with the emphasis on collective enterprises," further strengthen the management of and guidance over township enterprises, and persist in high starting points and high efficiency when developing new projects. We should pay close attention to the technical transformation, scientific and technological advances, personnel training, and management of the existing enterprises and seek development in the process of improvement. This year's plan arranges an increase of more than 15 percent in the output value of township enterprises and an increase of 6 percent in their tax payment.

B. We should facilitate industrial restructuring in a down-to-earth manner and exert great efforts to improve economic efficiency.

This year's restructuring should be focused on "six groups." First, we should successfully update a group of products. According to the plan, 700 new products at and above the provincial level will be developed, of which 340 will reach the advanced levels of the country, and 60 the advanced levels of the world. Second, we should achieve success in technically transforming a



group of small and medium-sized enterprises. The priority is to transform 50 to 60 enterprises with the advanced technology imported from abroad to make their major technology and equipment reach the world levels of the 1980's. Third, we should build a group of large and medium-sized capital construction projects and technical transformation projects whose investment exceeds the stipulated quotas. The priority of this year is the 58 projects under plan, and efforts should be made to adjust the structure of new projects. Fourth, we should pay attention to the contracts and construction of a group of three types of foreign-funded enterprises and strive to ensure that 400 contracts are signed. Fifth, we should build a group of export-oriented enterprises, with the focus on cultivating and building 80 to 100 enterprises serving as export bases. Sixth, we should establish a group of enterprise groups and close down, suspend, merge, or change the production lines of a group of enterprises which show no sign of promise of ending deficits.

In raising economic efficiency, in addition to grasping structural readjustment and enterprise reform, we should give priority to promoting a comprehensive turn for the better in the major target of economic efficiency of our province's industry by "reducing stockpiled goods, funds tied up by finished products, goods shipped in transit, and by receivable and advance payment for goods, deficits and invisible deficits, and by raising the profit-tax rate of funds, the profit-tax rate of sales, and the production and marketing rate." This year we plan to reduce 50 percent of goods stockpiled at the end of last year; and based on the 1990 year-end figure, reduce 50 percent of the increased portion of the three types of funds. We should also reduce by 50 percent the budgetary deficits of industrial enterprises, make the rate of product sales reach more than 98 percent, increase the profit-tax rate of funds and the profit-tax rate of sales by 1 percentage point respectively over the previous year, enable industrial enterprises to increase profits and taxes by more than 10 percent, and raise the per-capita labor productivity of all workers of state industrial enterprises exercising independent accounting by 3 percent.

To realize the fighting goal of readjusting structure and raising efficiency and to fulfill the major tasks, we plan to adopt the following measures: First, we should strengthen organizational leadership, and formulate a unified and coordinated structural readjustment plan. Second, we should further strengthen management over various industries. Third, we should accelerate technological development and transformation, pay attention to establishing and putting into operation a batch of key technological transformation projects, and develop a number of brand-name, quality, and competitive products that can find a ready market and yield good economic efficiency. Fourth, we should establish a funding system for industrial structural readjustment. We will use the 3 percent of extra-budgetary funds of local state enterprises which the provincial government has determined to collect from them as funds for industrial

structural readjustment of provincial, prefectural and city level enterprises, separate the management of funds at various levels, and use them in various enterprises. Meanwhile, to advance the readjustment of industrial structure, the provincial financial department will arrange 25 million yuan in its budget in the form of subsidized interest payment for supporting enterprises with great difficulties to carry out structural readjustment. In addition, it will also set aside 7.5 million yuan as new technology and new product development funds. Fifth, we should adopt special policies to guarantee all regulatory means to operate jointly and effectively. Sixth, we should realistically strengthen enterprise management and seek efficiency from management. We should focus our work on "increasing production, practicing economy, increasing revenue and reducing expenditure;" further strengthen enterprise basic management, management of production spots, financial accounting management, and overall quality management; unceasingly improve the internal economic responsibility system; and tap the inherent vigor and vitality of enterprises. It is necessary to realistically reduce the energy consumption of 79 major energy-consuming units, and the raw materials of 127 major material-consuming units, and strive to make more than 300 large and medium-sized enterprises meet the eight-point demand on overall quality management promoted by the state. Continued efforts should be made to help enterprises increase profits and end deficits, organize efforts to thoroughly investigate the problems of the invisible deficits of enterprises and audit the overall efficiency of all enterprises at the end of the year. This year we should guarantee that no new deficits will emerge and strive to reduce part of the invisible deficits of past years. Seventh, we should further clear up "debt chains" and strive to cut the misappropriation of the three types of funds. We should give priority to clearing up the debts of working funds of metallurgical, chemical industrial, and textile enterprises. Eighth, we should improve and perfect the system of appraising and examining the industrial production targets, carry out the objectives of "reducing stockpiled goods, funds tied up by finished products, and deficits, and of raising three types of rates" at all levels, and realistically implement them in each and every enterprise, establish strict responsibility system, and guarantee the realization of these objectives.

C. We should rationally arrange the scope of the investment in fixed assets and conscientiously intensify the construction and early-stage preparations of key projects.

The plan arranges the total investment in fixed assets as 26.059 billion yuan, up 8.1 percent from the preceding year, and calls for efforts to make growth catch up with or surpass the national average. This year, we should continue to strengthen agriculture, energy industry, transportation, telecommunication, raw materials in short supply, and other basic industries and infrastructure; greatly support the construction of the projects which help adjust the structure and enhance reserve

strength and, in particular, give priority to the projects that help improve quality, increase variety, and reduce energy and material consumption and those with a high technology content that can lead others and are export-oriented; and arrange on a priority basis the projects of the processing industry that require less investment and shorter construction period and that turn out readily marketable products and good economic efficiency. Meanwhile, we should properly increase the investment in science, education, culture, and public health. Local budgetary investment for capital construction, totaling 254 million yuan, will be used chiefly in the projects to be continued and in increasing the investment in agriculture, education, science and technology, public health, and culture.

The 1992 plan arranges 58 large and medium-sized capital construction projects and technical transformation projects whose investment exceeds the stipulated quotas, of which 37 are capital construction projects, and 21 technical transformation projects. Thirty-four of them are projects to be continued, 15 to be started ahead of schedule, and nine are new projects. They include the Taolinkou reservoir, Luanhe Power Plant, the No. 2 blast furnace of Tangshan Iron and Steel Company, the Yuanbei Coal Mine in Jingxing, the Dashucun Coal Mine in Fengfeng, the expansion of the Shijiazhuang Chemical Fertilizer Plant, the second-phase construction of the Huanghua saltworks, the Shijiazhuang-Taiyuan highway, and the sickroom building of the provincial No. 2 hospital. In addition, through intensified early-stage preparations, we should strive to start another 13 projects, including the Beijing-Hankou-Guangzhou optical fiber telecommunications project, the Shijiazhuang Airport, the Hebei glucose plant, and the renovation of the Lingshou Chemical Fertilizer Plant. According to the plan, 11 projects should be put into operation totally or partially. They include the 600,000-ton coal mining project of the Yunjialing coal shafts of Handan mining area, the installation of the 70,000-kw generating unit of the Panjiakou Power Station, the installation of the 200,000-kw generating unit of the fifth-phase project of Xingtai Power Plant, the installation of the 25,000-kw generating unit of the Shijiazhuang Heat and Power Plant, the 227-ton penicillin production project of the Huabei Pharmaceutical Plant, and the 470,000-ton coking project of the Shijiazhuang Coking Plant.

To maintain a rational scope of investment, adjust the investment pattern, accelerate construction of key projects, and raise their efficiency, the following measures will primarily be adopted. First, we should adopt every possible means to raise funds. We should make conscientious efforts to raise the funds for capital construction and technical transformation projects, of which the amount is decided by the state according to the number of the projects, and strive to raise more. We should step up efforts to straighten out the funds raised for developing the power industry and collect all the profits and depreciation funds that should be collected.

We should continue to organize the issuance of enterprise bonds. Bonds worth 1.5 billion yuan are planned to be issued this year. Meanwhile, we should conduct examination to ascertain the amount of funds scattered in thousands of households that can be used in state construction and work out some methods to muster them so that the limited funds can turn out more benefits. Second, we should further intensify the construction of key projects. Regarding the 102 key projects designated by the state and the province, the system of responsibility for leadership and construction should be continued, and the system of regular meetings for coordination should be established and improved to coordinate efforts to solve the problems in the construction in a timely manner. In this way, efforts will be pooled to achieve success in the projects. Third, we should exert great efforts to attend to the pre-phase preparatory projects. This year, we should focus our efforts on 25 large and medium-sized projects. By the third quarter of this year, we should strive to accomplish the preliminary designs for the 14 projects that have been on the planning board with state approval and whose feasible study reports are being assessed and examined. We should strive to finish the feasible study reports for the 11 projects that are under state examination for listing on the planning board. Simultaneously, we should further strengthen the construction of the bank for preparing projects for future construction. We should continuously strengthen the investment policy decision responsibility system among each level and resolutely stop unreasonably duplicating construction.

D. We should vigorously increase revenues and reduce expenditures and make good and flexible use of credits and capital.

In 1992, the province should vigorously organize forces to increase revenues, readjust the structure of expenditures, strictly control nonproductive expenditures, and guarantee a balance between revenues and expenditures. First of all, we should start with promoting production and increasing economic results and should continuously attach prominent importance to increasing revenues. We should continuously pay firm attention to the implementation of the "double-creation and double-change" plan. That is, the province should ensure the creation of two counties whose annual revenues each reach 80 million yuan and strive to have four counties whose annual revenues each reach 80 million; ensure the creation of four counties each with 50 million yuan of revenue and strive to have eight counties each with 50 million yuan of revenue; and ensure that six counties will change the situation of being subsidized; and strive to remove eight counties from subsidies. We should also further strengthen the management of tax revenues, strictly handle tax affairs according to law, pay firm attention to clearing up enterprises' tax arrears, and ensure the collection of money that should be collected. Simultaneously, we should continue to strengthen the supervision over financial affairs, strictly enforce financial and economic discipline, control administrative

expenditures, and gradually upgrade the proportion of expenditures on production and construction projects.

On this year's financial work, we should focus on making good and flexible use of credits, strive to upgrade the returns on the use of capital, and try every possible means to support and promote the readjustment of the industrial structure and the product mix. First, we should positively attend to savings deposits and increase the savings deposits of dwellers to support the economic construction. Second, we should further enliven capital and accelerate its turnover. We should assign to enterprises the targets of tapping potential for making money and enlivening capital, pay firm attention to clearing up "debt chains," particularly clear up the special debts for use as working funds, and carry out the method of "integrating the decrease in stockpiling of finished products with the granting of loans for technological transformation use" to grant more loans to enterprises that register decreases in overstocked products. Third, we should positively readjust the credit structure and optimize the capital increase volume. We should try every possible means to increase agricultural loans with the focus on supporting the purchase of farm and sideline products, the development of the farming industry, the popularization of agricultural science and technology, and the establishment of an agricultural socialized service system. We should continuously carry out preferential policies on granting loans to state-owned large and medium-sized enterprises. The proportion of loans granted to large and medium-sized enterprises in the total loans for use as working funds of industrial enterprises is planned to rise by 3-5 percentage points. Fourth, we should flexibly readjust the scale of loans, widen the channels for capital resources, and enliven capital by collecting funds from various channels. We should not only strive for expanding the scale of loans granted to the province by the state but also issue various kinds of securities at fixed prices, including bonds, to collect more funds from society so as to satisfy, to the maximum, the need for readjusting the structures, increasing the economic results, and supporting key construction projects.

E. We should enliven circulation, stabilize goods prices, and make good arrangements for the people's livelihood.

To enliven circulation and ensure smooth economic circulation, first, we should bring into play the state and cooperative commercial enterprises' role as the major circulation channels and delegate to them the decision-making power over prices, management, employment, and distribution. Second, we should guide collective, individual, and private commercial enterprises to establish contacts with state-owned industrial and commercial enterprises; and we should positively market local products using sales on a commission and cooperative basis. Third, we should accelerate market construction to promote the smooth circulation of goods. Beginning this year, the province should establish in a step-by-step manner 50 grain and oil preliminary trade markets; try as soon as possible to build three grain and oil wholesales

markets respectively in Tangshan, Handan, and Zhangjiakou; and establish a provincial-level grain and oil wholesales market in Shijiazhuang. Fourth, we should reasonably guide consumption and continue to pioneer rural markets.

We should continue to adopt effective measures to ensure the basic stability of goods prices; further grasp the "vegetable basket" project; and appropriately control the prices of meat, eggs, and vegetables and the standards for service charges.

We should vigorously develop the tertiary industry and extensively open employment channels. It is necessary to continuously increase the income of urban and rural dwellers and to improve their housing conditions. We should conscientiously attend to the environmental protection work; improve the overall situation of industrial waste gas, waste water, and waste materials; and further increase the quality of urban and rural environments and the people's living standards.

F. We should strive to increase export and foreign exchange earnings and conscientiously grasp the work of using foreign capital and importing technologies.

To promote a stable increase in the export of foreign trade, this year, we should principally attend to the work in four aspects. First, we should continue to gain import and export management rights for large and medium-sized production enterprises with good conditions, push into international markets those production enterprises with high technology and large amounts of export and foreign exchange earnings, and have them directly join the international competition. Meanwhile, we should further narrow the relations between industry and trade and carry out the system of foreign trade on a commission basis. Second, we should positively readjust the export commodity structure and strive to increase the export of profit-making commodities and high value-added products. We should vigorously develop the industries that process and assemble with materials and specifications provided by foreign firms as well as developing compensation trade and we should plan to create \$58 million worth of foreign exchange through exports. Third, we should positively open new international markets and further widen foreign trade management channels. Fourth, we should further strengthen and improve the management of foreign trade enterprises at various levels, transform their managerial mechanisms, enhance their ability to assume responsibility for profits or deficits, and ensure that their exports and foreign exchange earnings are not lower than the national average levels. Meanwhile, we should use the opportunity of 1992 being a year of friendly tourism to vigorously develop the tourist trade, to attract increasingly more foreign friends, patriots from Taiwan, Hong Kong and Macao, and overseas Chinese to visit Hebei, and to further promote and accelerate Hebei's opening to the outside world.

On the basis of operating the existing enterprises involving foreign capital, we should further expand the scale of using foreign capital. First of all, we should continue to strengthen the planned orientation of using foreign capital; guide the input of foreign capital; and concentrate foreign capital on developing basic industries, the key "grafting" projects of large and medium-sized enterprises, and the products that have been made with imported raw materials for a long time as well as the high value-added products that can create foreign exchange through exports. We should vigorously develop highly efficient, export-oriented enterprises with high scientific and technological standards and high foreign exchange earning capacity. Second, we should open various channels and adopt various forms to use foreign capital and we should positively strive to use various foreign loans to change as soon as possible the province's situation of foreign investment accounting for a low percentage of the total investment and foreign government loans accounting for a small amount. Third, we should pay firm attention to ensuring the completion of projects and improve the rate of successfully using foreign capital. On the basis of realistically completing the contracted projects, we should select a group of projects involving foreign capital and then organize provincial departments concerned as well as various cities and prefectures to publicize them to the outside world and to realistically ensure the preparation of a group of projects, hold talks on the group, develop it, and complete it. We should continuously exert great efforts to improve both tangible and intangible conditions for opening to the outside world, accelerate the construction of the Qinhuangdao-Tangshan-Cangzhou economic open zone around Bohai Bay, and enhance the ability to absorb foreign investment.

G. We should make great efforts to closely link the economy with science and technology and education and strictly control the population growth rate.

The 1992 scientific, technological, and educational work plan is arranged generally according to the requirements for accelerating the strategy for rejuvenating Hebei with science and technology; persistently making a unified plan for "economy, science, and education"; and striving to create conditions for establishing a favorable circulation mechanism for coordination in developing economy, science, and education and linking them closely with each other and promoting each other. We should continuously concentrate the focal point of scientific and technological work on accelerating the pace of enlivening agriculture with science and technology and accelerating the industrial technological progress. The agricultural front should emphatically attend to three tasks. First, we should popularize large scale advanced applicable scientific and technological results and strive to improve the rate of converting scientific and technological results into productive forces as well as the utilization rate of scientific and technological results. Second, we should select, improve, and develop new high quality, high-yield, and disaster-resistant varieties.

Third, we should positively study and apply advanced irrigation, fertilizer, cultivation, and plant protection techniques and strive to upgrade the utilization rate of agricultural resources, agricultural labor productivity, and the commodity rate of agricultural products. Mainly in line with the structural readjustment and the improvement of economic results, we should vigorously develop intensive and precision processing techniques, accelerate the popularization of energy-saving and high and new technologies, and positively manufacture and develop new products. To promote the close combination of science and technology with the economy, first of all, we should further strengthen the management of the scientific and technological plan and truly bring it into line with the national economic and social development plan. We should give full scope to the planning departments' functions for overall coordination and we should achieve the coordination between the scientific and technological plan with production, with capital construction, with technological transformation, and with foreign capital import and use programs. Second, we should conduct scientific and technological work to solve the major contradictions in the economic construction so as to promote technological progress. We should adopt forceful economic and administrative means to popularize mature and highly efficient scientific and technological results. Third, we should establish and improve enterprise scientific and technological development organizations. This year, we should ask more than 90 percent of the large and medium-sized enterprises to build their own scientific and technological development organizations. Fourth, we should try every possible means to increase the input to science and technology, give priorities to supporting the construction of scientific research units and universities, and further improve scientific research conditions. Fifth, we should positively develop high and new technology and high and new technology industries and strive to upgrade the overall quality of the economy. While continuously building the Shijiazhuang high and new technology industrial development zone, we should gradually establish provincial-level high and new technology development zones in Tangshan, Qinhuangdao, Baoding, Handan, Cangzhou, Zhangjiakou, and Chengde.

For education, we should concentrate main efforts on upgrading the quality of teachers and education; continue to readjust the specialized structure of colleges and secondary specialized schools; appropriately increase the student enrollment quotas for the textile, clothing, and food industries, which are badly needed in the course of economic development; and increase the student enrollment quotas for certain areas and the quotas for training specialized skilled people on a commissioned basis. We should reasonably readjust the liberal arts and science structures of adult higher educational schools and gradually change the situation of having more liberal arts colleges but fewer scientific colleges. Efforts should be made to further enhance elementary education, to vigorously make the 9-year compulsory education universal, and to make every effort to develop the various

kinds of vocational and technical education. Out of the total number of students enrolled in senior middle schools in 1992, the proportion of students enrolled in secondary vocational and technical schools should reach 50 percent.

The work emphasis of public health undertakings will be on enhancing the preventive work and health care as well as grass-roots level health work in rural areas, developing the three levels of the medicare and health care network in rural areas, and gradually improving the medical conditions of public health centers at the town-township level. The work emphasis of urban medical and health work will be on consolidating the medical order and upgrading the service quality. In 1992 the province plans to employ 6,000 new full-time public health personnel and to establish 3,000 new beds for patients. Efforts will be continuously made to put the work emphasis of family planning on rural activities; to enforce the system under which principal leading comrades at all levels are responsible for the attainment of certain birth control objectives; to emphatically do a good job in establishing family planning groups and service networks at the county, township, and village levels; to concentrate on carrying out the basic work; and to realistically control the population growth within the target of the family planning plan.

We should further develop the cultural undertakings of literature and art, journalism and publications, and radio and television broadcasting; continuously uphold the four cardinal principles; and vigorously upgrade the quality of spiritual products. In conducting the undertakings of physical culture and sports, we should uphold the principle of paying both attention to upgrading the quality of undertakings and making them universal; vigorously and continuously carry out mass sports activities; further enhance the training of outstanding reserve personnel; make good preparations for the eighth provincial sports games; and vigorously upgrade the standards of the province's physical culture and sports.

**Continuously Deepen the Reform in Economic Systems, Further Enhance and Improve Macrocontrol, and Vigorously Fulfill the Plans and Tasks of This Year**

The province's emphasis in conducting reform in economic systems this year is to earnestly implement the "enterprise law" along with the task of boosting large and medium-sized enterprises, to reinforce the strength of enterprise reform, to emphatically shift the managerial mechanism of enterprises, and to vigorously enhance and improve macrocontrol.

In deepening enterprise reform, first, we should further improve the enterprise management responsibility system and strengthen enterprises' self-restriction mechanism. The emphasis in this regard is to enhance management over the whole process of the responsibility system, to strengthen supervision and auditing, to strictly enforce the signing of contracts, to gradually

establish the enterprise mechanism of each being responsible for its own profits and losses and integrating work achievements with economic results, and particularly to actively explore the establishment of mechanism of being responsible for losses. In 1992, based on summarizing the experience gained by Zhangjiakou city in its pilot work of having enterprises share the debt of funds, by the cities of Handan and Shijiazhuang in their pilot work of collecting risk funds while signing contracts, and by Shijiazhuang city in its pilot work of enforcing per capita risk mortgage, we should continuously improve the pilot work in this regard and have more enterprises take up the pilot work to gradually enhance the capability of enterprises to bear losses. In enforcing enterprise responsibility systems, we should have enterprises be responsible not only for profits but also for assets and have contracts cover the maintenance of value and increase of state assets. Thus, enterprises will not only be responsible for profits transferred to the state but also responsible for the maintenance of the value and increase of state assets. Meanwhile, we should gradually establish and improve the incentive mechanism of promoting the technical progress and structural readjustment of enterprises. Second, we should perfect the leading system of enterprises. Efforts should be made to further bring into play the political core role of party organizations; to uphold and improve the plant director responsibility system; to rely on the working class wholeheartedly; and to vigorously upgrade the quality as a whole of leading bodies, their cohesion, and their appeal.

Third, we should positively promote supporting reforms within enterprises, with the emphasis on improving the distribution system, employment system, and cadre system, on resolutely smashing iron positions, guaranteed wages, and the iron rice bowl, and on eliminating "egalitarianism" and the "big common pot." Fourth, we should establish the mechanism that only the best enterprises survive; should positively accelerate the incorporation and integration of enterprises as well as the organization of enterprise groups; and should promote the reasonable flow of production elements. Fifth, we should successfully test the changing of enterprises' operational mechanism. This year, we should give prominence to decontrolling management, to overall input and output contracting, to the "one plant and two systems," to the shareholding system, and to the stock market. At the same time, we should pay attention to perfecting enterprise groups; to closing, suspending, merging, or transferring inferior enterprises; and to testing the support of reforms in labor, employment, and distribution systems. We should constantly summarize experiences gained in this field and popularize successful ones in a timely manner and on a large scale, in line with the spirit of being even bolder and faster.

We should further strengthen and improve macroeconomic regulation and control in line with the demand of combining the planned economy with market regulation. At present, the establishment of provincial-level macroeconomic regulation and control should be primarily

focused on the following three fields. First, we should give play to the regulatory and controlling role of responsible departments for various trades. We should no longer substitute system management for trade management and should actually solve the problems of unplanned and duplicated construction. Second, we should give play to the regulation and control role of such specialized comprehensive departments as financial, banking, industrial and commercial, tax, and pricing departments. We should truly make finances, tax revenues, credits, and prices become organic components of plans and should apply economic levers to regulate the relations between different economic sectors and to supervise and coordinate economic operations around the major goals and tasks defined by the national economic and social development plan. Third, we should give play to the functional role of planning departments in exercising regulation and control over comprehensive affairs. Planning departments should shoulder the function and duty of exercising macroeconomic regulation and control in an even higher level of the entire national economy. We must conscientiously implement the central authorities' stipulation to "give play to the planning departments' role in carrying out overall balance, executing the state industrial policies, and comprehensively coordinating economic levers." Also, we must further harmonize the relations among planning, financial, banking, and other economic departments; should actually rationalize the division of work and strengthen coordination; and should concentrate on solving the problem of duplication in policymaking and the problem of being unable to form a concerted force. We should continue to improve the management of production, construction, and circulation plans, reduce the items subjected to mandatory planning, and further give play to the role of guidance planning and market regulation. Beginning this year, the number of plans for production of the industrial products controlled by the provincial planning economic commission should be reduced from 98 to 87, and the amount of rolled steel, soda ash, and materials transferred and distributed by the state in a unified way should be reduced. In addition, the items covered by the commercial plans controlled by the provincial planned economic commission should be reduced from 28 to 17, and the commodities of the first and second state categories directly controlled by the province should be reduced from 73 to 29.

At the same time, we should further deepen the reforms in the fields of finance, banking, circulation, pricing, labor, wages, housing, and social guarantees.

### Shanghai 1991 Statistical Communique

OW2202053992 Shanghai JIEFANG RIBAO in Chinese  
16 Feb 92 p 3

[Shanghai statistical communique on the economic and social development of Shanghai Municipality in 1991; published by Shanghai Municipal Statistical Bureau on 15 February 1992]

[Text] Under the leadership of the CPC Central Committee, the State Council, the Shanghai Municipal CPC Committee, and the Shanghai municipal people's government, the people in Shanghai took economic construction as the central task, further deepened reform, and opened Shanghai wider to the outside world in 1991. In 1991, industry production maintained fairly rapid growth, a decline in economic efficiency was initially stopped, and bumper agricultural harvests were reaped despite serious natural disasters. The domestic market was brisk, the Pudong development started substantively, foreign economic relations were further expanded, rapid progress was made in building key infrastructural projects, and people's living standards continued to go up. With economic development, various reforms were carried out according to plan, and new achievements were made in the fields of science and technology, education, culture, public health, and sports. A preliminary count shows that the 1991 gross municipal product amounted to 82.5 billion yuan, up 6 percent from 1990; and municipal income was 68.7 billion yuan, up 6.6 percent. All the tasks of the 1991 economic and social development plan were accomplished, making a good start in the implementation of the Eighth Five-Year Plan. The major problems in economic development at present are that the structural readjustment is proceeding too slowly, economic efficiency has not yet been improved fundamentally, and sluggish economic circulation remains conspicuous.

### I. Industry

In 1991, while implementing a series of government policy measures to invigorate large and medium state-owned enterprises, the industrial department actively carried out "quality, variety, and efficiency year" activities and did a great deal of work in stopping declining economic efficiency and improving product quality. The economic efficiency decline, which continued for several consecutive years, was initially stopped. Tax payments and profit deliveries made to the state in 1991 by state-owned industrial enterprises covered in local budgets amounted to 9.035 billion yuan, up 1.5 percent from 1990. While 14.4 percent of Shanghai's enterprises incurred losses in 1990, only 9.4 percent of them suffered losses in 1991, and the amount of loss dropped by 30.4 percent. At the end of 1991, finished products tied up 4.397 billion yuan of capital funds, showing a decrease of 80 million yuan as compared with the beginning of the year. The all-personnel labor productivity of state-owned industrial enterprises, which keep separate accounts, was 8.8 percent higher than the previous year and much higher than the target projected at the beginning of the year. The quality of industrial products improved. The quality of 92.81 percent of Shanghai's major products continued to improve, up 3.6 percentage points from the previous year. The value of the products of superior quality accounted for 33.33 percent of the total industrial output value, showing an increase of 3.5 percentage points over the previous year. Success was achieved in energy conservation. The

overall energy consumption for every 10,000 yuan of output value dropped 2.86 percent, as compared with 1990.

The total industrial output value in 1991 (calculated according to 1991 prices, the same hereinafter) was 194.718 billion yuan (it would be 196.794 billion yuan if calculated according to 1990 prices), showing an increase of 13.7 percent over the previous year (the total output value would be 179.612 billion yuan and the increase would be 13 percent if industries of villages and lower levels were excluded). A breakdown shows that the total output value of heavy industry was 97.084 billion yuan, up 17 percent from the previous year; and the total output value of light industry was 97.634 billion yuan, up 11.4 percent. The total industrial output value of state-owned enterprises was 126.312 billion yuan, up 6.8 percent; that of collective enterprises was 35.458 billion yuan, up 22.2 percent; and other economic sectors achieved a total industrial output value of 32.948 billion yuan, up 40.3 percent. Among those economic sectors, the total industrial output value of joint ventures, cooperative enterprises, and wholly foreign-owned enterprises increased by 71.7 percent. Of the total industrial output value in Shanghai as a whole, the central enterprises yielded 32.405 billion yuan, up 18.9 percent; and local enterprises yielded 162.313 billion yuan, up 13.2 percent.

New progress was made in the internal restructuring of industry. Production of large and medium-sized industrial enterprises went up noticeably. The total output of the city's 1,206 large and medium-sized industrial enterprises was 120,129 million yuan, up 14.5 percent over the previous year; the increase in output by these enterprises accounted for 66.4 percent of the city's total increase. Some progress was made in the readjustment of the product mix. Output of the 300 products whose production was given priority in the annual plan reached 35,982 million yuan, up 30.2 percent over the previous year and overfulfilling the annual plan by 10 percent. There was increased production of certain energy products, raw and semi-finished materials, and products used for investment purposes as well as consumer goods that met market demands. Many products that did not meet market demands or that caused serious pollution had their output reduced or eliminated altogether. The city did a fairly good job in developing key reserve products as well as new products. The 14 major industrial bureaus (corporations) developed 12,000 new products, up 10 percent over the previous year. Output value of the new products accounted for 15.3 percent of the total, up one percentage point over the previous year. Enterprises continued implementing structural reorganization. The 36 enterprise groups and corporate entities that had been already established underwent further consolidation and improvement. Eighty-eight inefficient enterprises whose products did not meet market demands were "ordered to close down, suspend operations, merge with others, or switch to the manufacture of other line of products."

The output of major products was as follows:

	1991	Increase over 1990 (percent)
Yarn	317,100 tons	-1.9
Cloth	1,121,000,000 meters	-9.3
Wollen fabrics	29,788,400 meters	-2.2
Silk products	98,581,700 meters	-1.7
Chemical fibres	258,200 tons	2.7
Synthetic detergents	114,900 tons	9.4
Garments	258 million pieces	7.9
Watches	13,989,100 pieces	-9.5
TV sets	4,564,700	-1.2
of which: color sets	1,081,300	30.6
Tape recorders	1,220,200	-42.6
Cameras	171,900	-16.6
Household washing machines	885,500	-7.0
Household refrigerators	660,400	19.3
Chemicals (crude)	13,300 tons	5.4
Chemical insecticides (crude)	7,800 tons	-3.7
Chemical fertilizers	273,700 tons	-5.1
Ethylene	263,200 tons	19.9
Soda ash	38,700 tons	2.4
Caustic soda	329,300 tons	13.2
Cement	2,894,200 tons	23.3
Plate glass	4,834,700 boxes	-3.9
Microcomputers	7,773	25.9
Integrated circuits	15,183,000	30.1
of which: large-scale IC's	4,246,500	64.8
Crude oil processed	8,579,100	8.2
Electricity	30.404 billion kwh	7.1
Pig iron	6,640,400 tons	26.0
Steel	10,045,300 tons	9.9
Rolled steel	7,365,200 tons	20.8
of which: thin steel plates	1,745,500 tons	55.8
The 10 nonferrous metals	83,100	-0.4
Power generating equipment	23,860,000 kilowatt	13.5
Metal cutting machine tools	14,500	-3.3
of which: numerically controlled machine tools	231	89.3
Motor vehicles	44,000	58.3
Steel ships for civilian use (completed)	477,000 tons	27.5



Enterprises carried out reforms in an active manner. Shanghai took the lead in trying out reforms among state-owned large and medium-sized enterprises in a planned and systematic way. By year's end, 113 state-owned industrial enterprises in the city had started four types of reforms on a trial basis, of which seven introduced the system of "giving enterprises full authority over management and shifting their operative mechanisms;" 36 experimented with "separation of taxes and profits after-tax loan repayment as well as supplementary reforms for the all-personnel contract system," while 11 introduced only "the all-personnel contract system," and another 11 only the "separation of taxes and profits and after-tax loan repayment;" and 48 started "labor wage reforms with the personal post contract system as its central content."

## II. Agriculture

Total agricultural output value in 1991 was 7,365 million yuan, an increase of 6.3 percent over the preceding year. Of this total, farm cultivation stood at 3,051 million yuan, about the same as in the previous year; forestry at 39 million yuan, up 10 percent; animal husbandry at 3,338 million yuan, up 10.2 percent; sideline production at 40 million yuan, down 2.6 percent; and fishery at 897 million yuan, up 16.4 percent. During 1991, Shanghai's suburban counties suffered serious natural calamities, including low temperature, rain storms, and waterlogging. Thanks to the attention paid by leaders at different levels, and their vigorous efforts to organize drives to combat calamities and adopt various field management measures, the counties were able to reap a bumper harvest of grain, cotton, and rapeseed for the entire year. As a result, both the production and supply of major nonstaple crops improved over the previous year. Since control over vegetable management was lifted, the variety of vegetables has increased, their quality have improved, and there has been less need for the state to resell to areas vegetables it purchased. A fairly good supply of vegetables was kept on the market.

### The output of major agricultural and sideline products was as follows:

	1991	Increase over 1990 (percent)
Grain	2,415,000 tons	0.8
Cotton	16,200 tons	33.0
Rapeseed	199,400 tons	9.8
Vegetable (on the market)	1,214,300 tons	-12.0
Pork, beef, and mutton	397,900 tons	6.1
of which, pork	229,800 tons	-1.4
Poultry (on the market)	150,800 tons	13.9
Fresh eggs (on the market)	154,600 tons	13.4

Cow milk	255,500 tons	12.6
Pigs slaughtered	3,946,200 head	-4.2
Pigs in stock	2,278,800 head	-4.1
Watermelon, muskmelon	175,200 tons	-43.0
Fruits	86,900 tons	-7.7
Aquatic products	290,700 tons	6.3
Maritime products	182,000 tons	6.8
Freshwater products	108,700 tons	5.3

Input into agriculture has increased, helping improve the conditions for agricultural production. After the flood, an all-out drive was launched to build farmland water conservancy works. With the completion of the Taipuhe Water Conservancy Dike Construction, efforts were stepped up to transform medium and low-yield farmland—focusing particularly on restructuring the irrigation system—and to reclaim the eastern bank of Chongming. A total of 434 million yuan of the local budget was spent in support of agriculture during the year, an increase of 8.9 percent. There were 11,500 large and medium-sized tractors in suburban rural areas at the end of the year, which was the same level as in the preceding year. A total of 202,000 tons of chemical fertilizer were used during the year, up 2.8 percent. Some 4 billion kwh of electricity were used in the countryside, an increase of 24.4 percent over the previous year.

The rural economy witnessed an all-around growth. The 1991 total output value in rural areas was 50.121 billion yuan, an increase of 21.8 percent over the same period of the previous year. The output value of rural industry, construction, transportation, commerce, and catering trade combined registered an increase of 25.3 percent.

## III. Transport, Post, and Telecommunications

During 1991, communications and transportation departments continued to deepen reform, speed up construction, implement various measures to overcome difficulties, expand the transport capacity, and improve transport efficiency. They made contributions in developing the national economy and meeting the people's daily needs and played a key role in fighting floods and providing disaster relief.

### The volume of transportation by various means was as follows:

	1991 (million)	Increase over 1990 (percent)
Freight transport		
Volume of freight transport	275.51 ton-km	2.9
Railway	51.69 ton-km	-0.3
Highway	88.88 ton-km	2.0
Waterway	134.85 ton-km	4.8
Civil airway	0.09 ton-km	28.6

**The volume of transportation by various means was as follows: (Continued)**

	1991 (million)	Increase over 1990 (percent)
Cargo handled at coastal harbors	146.79 ton-km	5.2
Volume of passenger departures	40.08	4.5
Railway	25.94	4.8
Highway	5.71	-5.6
Harbors	5.92	6.7
Civil airway	2.51	26.1

Fairly rapid progress was made in post and telecommunications service, with business transactions in 1991 totaling 1,316 million yuan, up 28.7 percent over 1990. The city's postal delivery service handled 314 million pieces of mail, up 6 percent over the previous year. The total circulation of newspapers and journals was 974 million copies, up 12.5 percent; the number of long-distance telephone calls increased by 61.1 percent to 77.81 million; of this 6.58 million calls were international calls or calls to or from Hong Kong and Macao, up 39.5 percent. By the end of 1991, the number of the city's urban telephone subscribers reached 490,000, a net increase of 93,700. The number of telephone subscribers in the countryside reached 79,600, a net increase of 15,200.

**IV. Investment in Fixed Assets and Construction**

The completed investment in fixed assets of the municipality in 1991 was 25,208 million yuan, an increase of 11 percent over 1990. The investment of state-owned units was 19,964 million yuan, up 8.5 percent; that of collective units 2,968 million yuan, up 62.3 percent; and individual investment was 1,578 million yuan, down 4.7 percent; and investment in commodity housing totaled 698 million yuan, down 14.5 percent. Of the completed investment in fixed assets by state-owned units, investment in central projects was 6,653 million yuan, down 11.8 percent from the previous year; investment in local projects was 13,311 million yuan, up 22.5 percent.

Adjustment of the investment structure continued, leading to increased investment in the technical transformation of enterprises. Of the funds invested in fixed assets in state-owned units, 8.881 billion yuan was used in technical innovation, up 23.8 percent from the previous year. It represented 44.5 percent of the total fixed assets investment, compared to 38.9 percent in the preceding year. Of the investment in technical transformation, 114 million yuan was used in energy conservation. This accounted for 1.3 percent of the total investment in technical transformation, compared to 1.1 percent in the previous year. Funds used in the treatment of "three types of waste" (waste gases, liquids, and solids) and in the expansion of production capacity totaled 536 million yuan and 2.284 billion yuan, respectively. They accounted for 6 percent and 25.7 percent of

the total investments in their respective categories, compared to 4.9 percent and 23.3 percent in the previous year. Investment in capital construction projects in the state sector came to 10.696 billion yuan, down 1.5 percent from the preceding year. The figure represented 53.6 percent of the investment in fixed assets in state-owned units, down from 59 percent in the previous year.

Major construction projects proceeded quite rapidly. A total of 22 large and medium-sized capital construction projects and technical transformation projects outside state quotas were constructed and put into operation throughout the municipality. They included the first-stage construction project of 3.3-meter medium-thickness steel plates at the Shanghai No. 3 Steelworks, the production project of 600,000 sets of refrigerator compressors at the Shanghai Refrigerator Compressor Plant, the manufacturing of 30,000 sedans at the Shanghai Dazhong Automobile Limited Company, the Shanghai Yongxin Color Kinescope Project, and the second-stage project of the Pudong Coal Gasworks.

As a result of investment in capital construction and technical transformation projects carried out throughout the municipality, increases were registered primarily in the output and supply of the following products and resources: 4.9 million tonnes of sintered iron ores, 3.5 million tonnes of smelted iron, 3.52 million tonnes of smelted steel, 300,000 kilowatts of installed electric generator capacity, 160,000 tonnes of tap water daily, 1 million cubic meters of coal gas supplied to urban areas daily, 40,000 tonnes of waste water treated daily, 1 million 47-cm color kinescopes produced annually, and 15,000 telephone exchanges.

Construction projects launched by state-owned construction enterprises in 1991 totaled 11.74 million square meters [sq m], down 280,000 sq m from the previous year, while projects completed in the same year reached 4.75 million sq m, down 80,000 sq m from the year before. Total output value in the construction sector came to 6.45 billion yuan, a 1.7-percent increase over the previous year. Overall labor productivity grew by 1.6 percent from the year before. However, the number of money-losing enterprises increased over the previous year, as did the amount of losses incurred by those enterprises.

**V. Market and Commodity Prices**

In 1991, Shanghai's purchases and sales markets were active, and goods were in abundant supply. Net purchases of commercial goods in domestic trade for the whole year was 42.083 billion yuan, an increase of 13.1 percent over the previous year. Of this amount, the purchase of industrial goods was 36.37 billion yuan, up 12.1 percent. Commodity sales enjoyed sustained, stable, and balanced growth with distinctive slack and brisk sales seasons. Total volume of retail sales for the whole year was 40.198 billion yuan, an increase of 13.8 percent over the previous year. Actual increase was 3.9 percent after deducting price increases. Of the total

volume of retail sales, the sales of materials for agricultural production was 2.014 billion yuan, up 4.6 percent; that of consumer goods was 38.184 billion yuan, up 14.4 percent, of which 7.018 billion yuan worth of goods was sold to institutions, up 19.1 percent; and goods sold to consumers was 31.166 billion yuan, up 13.4 percent. The volume of retail sales of consumer goods in rural areas and suburbs for the whole year was 8.339 billion yuan, an increase of 18.2 percent over the previous year, which was higher than the 13.4 percent margin of increase in urban areas.

Of the retail sales of various economic sectors, that of publicly-owned retail units rose 12.9 percent; of collective units rose by 13 percent, of which sales of supply and marketing cooperatives rose by 13.1 percent; and of sales by other commercial oriented economic sectors and by farmers to nonagricultural residents increased by 21.1 percent.

Of retail sales volume for consumer goods, sales of food items was 15.995 billion yuan, an increase of 12.5 percent over the previous year, which was actually at the previous year's level after deducting price increases while sales of poultry, eggs, and pork increased over that of the previous year. The retail sales volume of clothing was 5.966 billion yuan, an increase of 14 percent over the previous year. The actual increase was 7.2 percent after deducting price increases. Sales of medium and high grade ready-made garments increased while that of textile materials decreased. Retail sales volume of household goods was 15.933 billion yuan, an increase of 16.1 percent over the previous year. Growth was actually 8.7 percent after deducting price increases. Demand for various types of commodities has moved toward those of "multipurpose uses and high quality." Household air conditioners, telephones, and water heaters have become new saleable products.

In 1991, the Commerce Ministry made progress in improving the environment for making purchases, in raising quality of services, in promoting joint sales by industrial and commercial sectors, and in implementing effective and practical projects. However, economic efficiency in the commercial sectors was not satisfactory. In particular, the market share of principal wholesale commercial sectors dropped, and operations in a considerable number of wholesale enterprises were not in good shape and suffered from decreasing economic efficiency.

Price reform proceeded steadily. In the year, the prices of grain and edible oil under state monopolized marketing were readjusted, the prices of vegetable and bean products were decontrolled, and the prices of some consumer goods were also readjusted, either up or down. Although price readjustment caused the price index to rise, it did not affect market stability. Besides, it played a positive role in straightening out the pricing system, promoting production, and reducing government's financial burden. In 1991, Shanghai's retail price index rose 9.5 percent from the year before, because of the readjustment of the prices of a fixed amount of grain and edible

oil under state monopolized marketing, the spontaneous price increase of some nonstaple food and consumer goods after price decontrol, and the continued effect of the 1990 price readjustment. The 1991 price change in various commodities are as follows: food, up 12.7 percent; garment, up 6.3 percent; daily necessities, up 12.5 percent; newspapers and journals, up 3.6 percent; building and decorating materials, up 5.8 percent; fuel, up 69.5 percent; cultural and recreational goods, down 9.2 percent; and medicine and other medical supplies, down 2.3 percent.

## VI. Development of Pudong and Foreign Economic Relations

The development of Pudong got off to a substantive start. The policy for the development of Pudong is being implemented in an all-around way, and the New Pudong District is being developed in an orderly manner according to plan. In 1991, desirable progress was made in land development, infrastructural construction, and investment in banking facilities, as well as in attracting foreign investment. The plan for the development of three key sub-districts—Waigaoqian, Jinqiao and Lujiawan—was formulated; the requisition and lease of 9.51 square km of land in these sub-districts for use in first-stage development were completed; and infrastructural construction, involving seven roads and one leveling project, started in an all-around way there. To thoroughly improve the infrastructure of New Pudong District, the development plan calls for construction of 10 backbone transport, energy source, telecommunications, and environmental protection projects during the Eighth Five-Year-Plan period. As of the end of 1991, two of the projects had been completed and seven of them had already started. Investment in banking business developed rapidly. As of the end of 1991, 21 Chinese and foreign banking facilities had been established. There was a fast increase in foreign investment. In the year, 90 direct foreign investment projects were approved, up 220 percent from 1990. Foreign investment during the year amounted to \$92 million, up 170 percent. By the end of the year, 174 joint ventures, cooperative enterprises, and wholly foreign-owned enterprises were set up in New Pudong District. The district also attracted more than 160 million yuan of investment from 161 Chinese enterprises. The opening of New Pudong District has promoted economic development. According to a statistics, the gross product in the new district amounted to 6.925 billion yuan, an increase of 10.4 percent over the previous year; and the increase was 4.4 percentage points higher than the increase in Shanghai's gross product as a whole.

Pudong's development has further expanded the city's foreign economic relations. According to statistics provided by customs, value of commodities imported and exported through the port of Shanghai totalled \$20.409 billion in 1991, an increase of 18.1 percent over the previous year. Of this total value, \$10.151 billion was in exported commodities, an increase of 17.2 percent over the year before. Value of commodities imported and

exported by the city's foreign trade departments totalled \$8.035 billion in 1991, 8.2 percent more than the previous year. Of this total value, \$5.729 billion were of exported commodities, an increase of 7.7 percent over the previous year, overfulfilling the annual growth target set for the year. Total value of imports was \$2.306 billion, an increase of 9.3 percent over the year before.

Last year, 1991, was the year in which foreign trade enterprises began to take responsibility for their own profitability and losses. This new mechanism has played a positive role in spurring enterprises to improve their management, restructure their export product mixes, reduce their overstocking, and improve their economic efficiency, thereby making their export product mixes more reasonable. Of the total export value in 1991, the percentage of heavy industrial products increased to 27.3 from 23.9 in the previous year, and the percentage of light and textile industrial products decreased to 60 from 63.7 in the previous year. In 1991, losses of individual exporters dropped from the year before, and export expenses slightly decreased compared with the previous year.

Foreign companies' investment increased quite rapidly in 1991. In 1991, the city approved 365 projects directly invested by foreign companies, attracting \$450 million in foreign funds, an increase of 20.1 percent over the year before. Forty-two contracts for borrowing a total of \$412 million of foreign funds were signed in 1991. In addition, \$5.301 million of foreign investments in other areas were secured in 1991. The pattern of foreign investment was further readjusted—of the approved 365 projects directly invested by foreign companies, 339, or 92.9 percent, were of the production nature; and 24 of these production projects each involved \$5 million or more.

Our economic and technological development zones' use of foreign funds continued to increase. In 1991, the Minxing, Hongqiao, and Caohejing Development Zones approved 39 projects directly invested by foreign companies, attracting \$44 million in foreign funds.

In 1991, business deals of \$187 million on importing technological projects were made, and \$181 million worth of these projects were delivered, which were respectively 26.1 and 19.9 percent more than the previous year. These imported technological projects have played an active role in speeding up enterprises' technological transformation, in upgrading enterprises' production technology, and in enhancing enterprises' production capacity and development potential.

In 1991, 130 labor contracts and contracts on contracting foreign projects were signed, with a total amount of \$114 million. Actual business volume done in the year was \$34.16 million.

The city received 981,800 tourists from 151 countries and regions in 1991, an increase of 9.9 percent over the previous year. Of these tourists, 612,700, or 33 percent more than the previous year, were foreigners. Foreign

exchange earned from the tourist industry amounted to 1.515 billion yuan (foreign exchange in renminbi), an increase of 37.9 percent over the year before.

## VII. Urban Construction

Marked progress was achieved in the construction of urban infrastructure facilities. The city spent a record 1.93 billion yuan on municipal construction during the year, up 50.1 percent over the previous year, accounting for 10.1 percent of all investment in fixed assets by state-owned units as against 7 percent the previous year.

To improve the investment environment and support the development of Pudong, the city gave priority to and sped up the construction of a number of infrastructure projects, with the emphasis on urban transportation. Several key projects—including the bridge on Wusong Road, the Nanpu Bridge, the overpass by the Shanghai Stadium, and the underpass in Xujiashui—were completed and put into operation. Construction of seven stations for Subway No.1 is well under way; of them, construction is basically complete on the Caobao Street station and the new passenger terminal, while the five other stations to be built on Huaihai Road, Xinzha Road, and other locations are in the preparatory stage. The section of Pudong-Yanggao highway between Longyang and Yuanshen, a main link to the Nanpu Bridge, was completed the same year it was started. Widening of the 7.37-km Pudong main street was also completed during the year. Moreover, first-phase construction is either under way or under preparation for the Yangpu Bridge and the inner hoop line [nei huan xian 0355 3883 4848] projects, the project to move up the waterbreak in Waitan, and the Wencaobin Bridge project. Continued progress was made in the construction of public utilities. By the end of last year there were 408 public transportation lines in the city, 18 more than the previous year; the number of public transportation vehicles in operation was 6,562—an increase of 298. The number of taxis and other vehicles for hire increased by 1,010 to 12,300. Traffic jams in the city became quite acute as many major municipal projects were started during the year and quite large sections of traffic lines were closed due to construction. The volume of passenger traffic last year on the city's public transportation system was 5,695 million persons, up 4.7 percent over the previous year. The average daily volume of passenger traffic was 15.6 million persons, an increase of 707,000 over 1990. The volume of tap water consumption was 1,241 million metric tons, up 1.3 percent over the previous year, of which the average households used 628 million metric tons—up 2.6 percent. The number of households that installed tap water rose by 1,899. Rather rapid progress was made in the supply of gas to the population. Household use of gas became more widespread in the city; the number of gas and liquefied petroleum gas subscribers increased by a record 170,000, the sharpest yearly increase since the republic's founding. Last year's total gas supply was 1,327 million square meters, up 4.3 percent over the previous year.

New progress was made in developing parks, gardens, and grasslands. During 1991 the city developed or expanded by 188.49 hectares tree or grass-covered areas; it also opened three more parks. By the end of 1991 there were 803.73 hectares of tree and grass-covered areas in the city, up 5.5 percent over the previous year. There were 206,500 trees lining the streets. The green coverage rate in the city rose from 12.4 percent in 1990 to 12.7 percent in 1991.

Efforts to protect the environment were enhanced. A 10-year program and the "Eighth Five-Year" plan for environmental protection in Shanghai were drawn up. A total of 320 million yuan was invested in 1,737 projects during the year to control the "three wastes." Six factories causing severe pollution were relocated and 23 low-noise control areas were set up, while the water quality in the upper reaches of the Huangpu Jiang and the air quality in some areas were improved. However, overall there is still a lot to do regarding efforts to improve the urban environment if we are to meet the needs of production and the people.

### VIII. Science, Technology, Education, and Culture

New achievements were made in science and technology. In 1991 the city's spending for research and development (R&D) accounted for 1.3 percent of its gross national product [GNP]. At the end of the year, 886,000 specialized technologists were on the payroll of state-run enterprises and institutions across the city. Thanks to the efforts of scientists and technologists, a total of 2,588 major scientific and technological achievements were made, of which 1,045 reached or approached advanced world levels, 729 led the country, and 754 ranked among national advanced levels. In 1991 Shanghai beat the nation by winning 18 national invention awards. In addition, it also won 44 national awards for scientific and technological advancement, 17 national Spark awards, and six national awards for natural sciences. New progress was achieved in applying scientific and technological results to production. Of the 2,588 major scientific and technological achievements, 2,041—or 78.9 percent—were disseminated and put to use. The technological market developed rapidly. A total of 25,000 technological contracts worth 933 million yuan was registered during the year. The First Shanghai Science and Technology Festival and the 1991 Technological Exhibition and Trade Fair boosted Shanghai's prestige at home and abroad in science and technology.

New progress was made in educational undertakings. Educational input increased, with educational appropriation rising by 12.8 percent over that of the previous year. Efforts continued in improving school management and in educational reform. The macroregulation of educational undertakings was strengthened. Problems caused by huge increases in the number of children entering city primary schools and suburban middle schools were solved. Teaching facilities and conditions

were further improved. A total of 3,019 graduate students were admitted—down 3.5 percent from the previous year—while 32,600 people were enrolled for undergraduate courses and professional training in general institutes of higher learning—up 0.8 percent. At the end of the year there were 50 general institutes of higher learning in the city, with 116,900 students—down 3.6 percent. Institutions of higher learning for adults had 54,600 students, down 10.3 percent from the year before. A total of 3,256 people graduated from graduate schools, of which 342 received doctorates and 2,739 received master degrees. At the end of the year there were 1,193 secondary schools, of which 705 were general secondary schools with 512,400 students—up 6.1 percent—and 106 were secondary vocational schools with 60,100 students—down 2.6 percent. There were 2,493 primary schools at the end of the year with 1,113,800 students, up 1.1 percent. Enrollment of school-age children reached 100 percent.

Progress was made in the fields of culture, the press, publication, radio, and television in spreading propaganda among the masses, inspiring the masses, and promoting the development of socialist spiritual civilization. At the end of 1991, there were 548 film-showing units in the city, of which there were 226 cinemas and theaters, 40 cultural centers, 10 museums and memorial halls, 31 public libraries, and 36 art-performing groups. In 1991, 16 feature films were made and 193 first-run films were released in the city. The Shanghai Television station aired an average of 188.6 hours per week through its two sets of programs. The Shanghai People's Radio station aired an average of 131.3 hours a day through its 10 sets of programs. The Traffic Information station, the first of its kind in the country, played an active role in lightening traffic congestion in the city, promoting economic development, and facilitating people's lives. During 1991, 1.76 billion newspapers, 179 million magazines, and 311 million books were published.

### IX. Public Health and Sports

Progress was made in the domain of public health. Medical care conditions in hospitals below the county level and sanitary conditions in rural areas were improved. A hospitalization and medical insurance system was implemented for primary and middle school students and children, which received very good social results. Incidence of acute infectious diseases continued to drop after being controlled at the lowest level in history for two consecutive years. At the end of 1991, there were 7,554 medical organizations in the city, of which there were 463 hospitals, 37 sanitariums, 6,817 clinics, 33 sanitation and antiepidemic stations, and 33 maternity and child care centers. There were 119,200 professional medical technicians at the end of 1991, up 0.7 percent from the previous year; of which there were 58,900 doctors, up 1.2 percent, and 33,800 paramedics [hu shi 6233 1597] and nurses, up 3.4 percent. There were 63,100 hospital beds, up 1.6 percent from the year before.

New achievements were made in the field of sports. In 1991, nine athletes from Shanghai won 13 world championships in 13 events; another nine won nine silver medals in four world events; two won two bronze medals in two world events; five set five world records in six times; and another five set five Asian records in six times.

#### X. Population and Standard of Living

According to statistics, the birth rate for the city's registered population in 1991 was 7.84 per thousand, and the death rate was 6.66 per thousand, resulting in a natural growth rate of 1.18 per thousand. The total population was 12.87 million by the end of 1991. (If calculated on the basis of a sample survey of longtime residents, the total population by the end of the year should be 13.40 million, the birth rate 7.68 per thousand, and the death rate 7.01 per thousand.)

By the end of 1991 there were 5,092,600 staff and workers in the city, an increase of 11,600 over the 1990 yearend figure, of which 3,992,200 were employed by units owned by the people, an increase of 20,100; 987,500 were employed by collectively owned units, a decrease of 28,500; and the number of urban self-employed was 55,400, a decrease of 1,100. The city provided jobs for an additional 150,900 urban residents during the year.

The total wage bill for the city's staff and workers in 1991 was 16,655 million yuan, up 13.5 percent; the per-capita wage of employees rose to 3,317 yuan, up 13.7 percent—a real increase of 2.9 percent if price hikes are excluded. Data from sample surveys showed the per-capita net income of farmers in suburban areas was 1,880 yuan, up 12.9 percent over 1990—or a real growth of 3.7 percent if increases in commodity prices are excluded.

Urban and rural living conditions improved further. During 1991 the city invested 3,204 million yuan and completed a total of 4,685,600 square meters of new construction in urban areas, overfulfilling the annual quota of 4.5 million square meters of new construction. Per-capita living space in the city increased somewhat. Following the implementation of the housing reform plan, the city raised public funds from the state, collectives, and individuals totaling 425 million yuan; the city also issued bonds worth 28 million yuan, setting the stage for accelerated housing development.

Savings deposits scored large gains in both urban and rural areas. By the end of 1991 the value of savings

deposits by residents totalled 32,822 million yuan, 7,606 million yuan—or 30.2 percent—more than at the end of 1990.

#### Notes:

1. All figures in this communique are preliminary.
2. Values of gross output quoted in the communique are at current prices, whereas growth rates are at comparable prices.
3. The proportion of research and development (R&D) spending in the GNP refers to outlay on basic research, applied research, experiments, and development as a percentage of GNP. It is an indicator of the entire society's input in science and technology.
4. Cultural centers and public libraries covered by the statistics are independent accounting units. Art performing groups refer to those affiliated to the Cultural Bureau.

#### Industry

#### Total Industrial Output in First Quarter 1992

HK1504101992 Beijing CEI Database in English  
15 Apr 92

[Text] Beijing (CEI)—Following is a list showing China's total industrial output value in the first quarter of 1992, released by the State Statistical Bureau:

Measured in 1990's constant yuan (in 100 million yuan)	1-3/92	1-3/91	Up (pc)
Total	6080.3	5142.2	18.2
Including: Export products			
Light ind.	2975.5	2555.3	16.4
Heavy ind.	3104.8	2586.9	20.0
State firms	3880.9	3428.2	13.2
Collectively owned ones	1760.8	1415.7	24.4
Others	438.6	298.3	47.0
Measured in present price			
Total		5776.6	21.2
Including			
Light industry		2710.3	16.7
Heavy industry		3066.3	25.5
State firms		3734.1	17.9
Collectively owned farms		1613.1	24.1
Others		429.4	43.2

## North Region

### Tianjin Economic, Social Development Report

SK2105080892 Tianjin TIANJIN RIBAO in Chinese  
24 Mar 92 p 6

["Excerpts" of the Tianjin municipal report on the implementation of the 1991 national economic and social development plan and the 1992 national and social development draft plan, made by Chen Haodong, chairman of the Tianjin Municipal Planning Committee, at the sixth session of the 11th municipal people's congress on 9 March]

#### [Text] 1. Implementation of 1991 Plan

The year 1991 was the first year to implement the Eighth Five-Year Plan as well as the key year to deepen reform. The vast number of cadres and people across the municipality conscientiously implemented the guidelines of the seventh plenary session of the 13th party Central Committee. According to the requirement of the municipal party committee for "bridging over difficulties, consolidating gratifying situations, accomplishing work, and striving to achieve greater development," we persistently took economic construction as a key link and accurately handled the relationship between stability and reform and development. Through efforts, we made noticeable achievements in improving the economic environment, rectifying the economic order, conducting reform, and opening to the outside world. The overall national economy tended to develop in a good way. The implementation of the 1991 national economic and social development plan, as approved at the fifth session of the 11th municipal people's congress, was good. Preliminary statistics showed that the GNP totaled 33.55 billion yuan, an increase of 4 percent if calculated in terms of comparable items. The industrial and agricultural output value reached 82.258 billion yuan, showing an increase of 8.3 percent and fulfilling the planned targets. Other planned targets were fulfilled or overfulfilled.

A. The industrial product mix was further readjusted and industrial production increased steadily.

Under the conditions that the macroeconomic environment has been improved in a step-by-step manner and oriented by the market situation, the industrial front positively readjusted the product mix; extensively launched the campaign of fixing 1991 as year of quality, variety, and efficiency; and promoted a stable increase in industrial production. The industrial output value of the municipality reached 76.692 billion yuan, an increase of 8.4 percent over the previous year; and the total industrial output value realized by the industries at or above the township level reached 60.641 billion yuan, an increase of 5.2 percent; respectively fulfilling the planned targets by 102.8 percent and 102.2 percent. The special characteristics of the industrial production were as follows: First, changes took place in the situation where the major industrial production and economic

results were reduced. The major industrial production and economic results steadily rose. The production of the local budgetary industrial enterprises increased by 3.1 percent, their sales income increased by 14.4 percent, and the profits and taxes realized by these enterprises rose by 2.3 percent. Second, the production of major products steadily increased. Third, greater headway was made in developing new products. The industrial enterprises manufactured, on a trial basis, 1,806 new products. Of this, 1,323 products were put into production. Fourth, the quality of products improved and consumption was reduced. The output value rate of quality products reached 43.7 percent and the consumption of energy per 10,000 yuan worth of output value was reduced by 4.5 percent.

B. We reaped bumper agricultural harvests and the output of foodstuffs steadily increased.

The municipality further strengthened agriculture's role as the foundation of the national economy, mobilized the enthusiasm of all fronts, increased input in agriculture, vigorously developed farmland water conservancy projects, relied on science and technology, continued to readjust the agricultural structure, overcame natural disasters, and promoted the development of agricultural production. The grain output totaled 1.985 million tons, showing an increase of 5.1 percent and setting a historical record. The cotton output reached 25,500 tons, an increase of 66.5 percent. The output of major foodstuffs increased by 5.4 percent to 15.6 percent, fulfilling the planned targets. The total agricultural output value reached 5.566 billion yuan, showing an increase of 6.9 percent and fulfilling the plan by 102.8 percent.

C. We opened wider to the outside world and won new progress in exports and the use of foreign capital.

Last year was the first year for foreign trade enterprises to institute the new system of independent management and responsibility for their own profits and losses. Thanks to the policy measures established to encourage exports and great attention given to the efficiency of exports, a good development trend emerged in exports. The annual volume of exports totaled \$1.606 billion, accounting for 110.8 percent of the annual quota. The export commodity mix was adjusted, export efficiency improved, and cost of foreign exchange earnings substantially lowered, thus avoiding deficits.

For the year, \$481 million of foreign capital were used, up 43.9 percent from the preceding year. New contracts were signed to establish 354 of the three types of foreign-funded enterprises, up 225 from the preceding year; and 76 enterprises opened business to make the total number of such enterprises already opened 312. The industrial output value of the three types of foreign-funded enterprises rose by 35.4 percent for the year, their sales by 67 percent, and their foreign exchange earning by 32.4 percent.

The production and construction of the economic and technological development zone developed rapidly, and



its industrial output value grew by 1.4 times over the preceding year, and exports by 78 percent. Construction of its infrastructural facilities was intensified, and its second-phase development started in all fields.

Last year, a bonded zone mostly for the purpose of entrepot trade was established in Tianjin Harbor and began to invite business. Construction of the new-tech industrial park approved by the state was started. Transportation on the Eurasian continental land bridge started from Tianjin Harbor was further developed.

D. Investment in fixed assets showed a substantial increase, and construction of key projects was expedited.

The entire local investment in fixed assets totaled 9.43 billion yuan for the year, up 64.1 percent from the preceding year. Of this, investment in capital construction of state units was 4.3 billion yuan, up 1.2 times, and that in technical transformation 2.73 billion yuan, up 38.5 percent. Last year, the state designated Tianjin as the key city for technically transforming old enterprises, thus putting an end to the decline in the investment in industrial technical transformation that had continued for several years. The investment in the technical transformation of old enterprises totaled 1.834 billion yuan in the year, up 61.6 percent from the preceding year. The 82 key projects designated by the municipality proceeded smoothly. In energy industry and transportation, construction of the Jixian Power Plant, Junliangcheng Power Plant, and Dagang Power Plant was accelerated and the local Zhouliangzhuang-Lutai railway and the highway to the Tianjin Harbor were completed and open to traffic. In industry, the methionine, glass bottle, cortisol hormone, and other projects were by and large completed; the seamless steel tube, cold-rolled sheet metal, Xiali sedan, and other large projects proceeded according to schedule; contracts were signed with foreign countries for the four sets of equipment for the ethylene project, for which preparations were started; and a number of urban construction, agricultural, commercial, cultural, educational, and public health projects were also completed.

E. Market sales improved notably, and people's living standard was raised.

The total value of the commodities purchased by commercial departments for the year registered an increase of 11.7 percent over the preceding year; that of the commodities sold an increase of 15.4 percent, and that of the commodities shipped to outside the municipality an increase of 9.3 percent. Retail sales picked up steadily, with the annual volume of retail sales totaling 16.92 billion yuan, up 13.3 percent. Urban and rural people's income continued to increase. The annual per-capita cost of living income of urban people was 1,698.7 yuan, up 1.3 percent when allowing for price rises, and the annual per-capita net income of peasants 1,168.5 yuan, up 9.3 percent. The year-end balance of urban and rural people's savings deposits totaled 16.32 billion yuan, an increase of 3.63 billion yuan from the figure calculated

early that year. The 20 practical jobs carried out by the municipal government for the people were accomplished as planned.

F. We made new achievements in science and technology and further developed educational and other social work.

All sectors throughout the municipality enhanced their consciousness in relying on scientific and technological progress, and new progress was made in scientific and technological work. We witnessed smooth progress in tackling 10 major scientific and technological projects; passed the property test for the new-model Xiali sedan project, and put part of it into production; the B-mode sonograph project entered the appraisal stage; the industrial experimental project of annually producing 3,000 tons of titanium dioxide by chlorination formally passed the state appraisal. During the year, 820 major scientific and technological findings were registered, 583 of which were put into production and applied.

Educational work was steadily developed; elementary education was strengthened; a number of primary and middle schools were built or expanded; the distribution of primary and middle schools was adjusted to alleviate the contradictions in the period of expansion in the enrollment of primary school students; and about 71.6 percent of townships and towns in the rural areas realized the 9-year compulsory education. All sorts of secondary schools increased their enrollment; the emphasis of adult education was shifted to on-the-job training; and the enrollment, admission, and job assignment for graduates of institutions of higher learning under the municipal government all met the demands in the plans.

New progress was made in cultural, art, broadcasting, television, press, publication, sports and archive work.

Medical and public health conditions continued to improve. The construction of the No. 1 hospital attached to the Traditional Chinese Medicine Hospital was completed and began service, the No. 1 central hospital was basically completed, and the hospital beds throughout the municipality increased continuously. The municipal appearance and environment were improved, and the title of "10 best hygienic cities" nationwide was maintained. Good achievements were made in family planning, and the birth rate was 11.94 per thousand, thus enabling us to keep the population within the state assigned planned target.

Although we made great achievements in the national economy and all sorts of social work in 1991, there were still some problems in the course of economic development. Although we made strides in readjusting the product mix, we still could not meet the changing demands on the domestic and foreign markets. The grade of some products was low and the product updating and upgrading was slow; although we saw a turn for the better in economic efficiency and financial revenue, no remarkable improvements were made; the problems of poor management, high consumption, and

unstable quality still remained serious among enterprises; economic circulation was still not smooth and "debt chains" remained unresolved; and although we made new progress in reform and opening up, our consciousness in reforms and opening up could not meet the demand of the development of situation. These problems must be conscientiously studied and solved through our practical work this year.

## 2. The Major Objectives and Tasks of the 1992 Plan

The year 1992 is the second year to implement the Eighth Five-Year Plan as well as an important year to make bigger strides in economic development after basically fulfilling the major tasks of improvement and rectification. Conscientiously making arrangements for plans and doing a good job in organizing this year's economic work are of great significance in developing our municipality's economic, political and social work and in smoothly fulfilling the Eighth Five-Year Plan. The guidelines for the plans for 1992 are to conscientiously implement the guidelines of the central working conference and the Eighth Plenary Session of the 13th party Central Committee; further accelerate the pace of reform and opening up in line with the principle of the municipal party committee on "emancipating minds, boldly engaging in practice, accelerating reforms, and displaying advantages" and the demand of the overall objectives of the municipal 10-Year Program and the Eighth Five-Year Plan approved by the fifth session of the 11th municipal people's congress; rely on scientific and technological progress; exert efforts to readjust the structures; enhance economic efficiency and quality; invigorate circulation; open up domestic and foreign markets; continue to deeply carry out the campaign on "increasing production, practicing economy, increasing revenues and reducing expenditures"; accelerate economic development; and promote the national economy to gradually move towards a well-rounded cycle.

The major targets covered in the 1992 plan are as follows: GNP should reach 36.07 billion yuan, an increase of 4 percent when calculated in terms of comparable prices; the total industrial and agricultural output value should reach 87.09 billion yuan, an increase of 5.9 percent; the foreign export trade volume should reach \$1.62 billion, a slight increase over the figure in 1991; revenues should reach 5 billion yuan, an increase of 2 percent; the scale of investment in local fixed assets should be controlled within the state assigned target; and the population growth rate should be controlled within the state fixed figure of 14.8 per thousand.

Some margins have been left in arranging the major planned targets as above. In the course of implementing the plan, we should fully mobilize the enthusiasm of all fronts and try every possible means to ensure a faster and better economic development on the premise of stressing efficiency and quality.

The 1992 planned tasks are as follows:

A. We should accelerate the readjustment of the industrial structure and improve production and technological level.

According to the state industrial policies and the municipal industrial development orientation, we should catch up with the international advanced technological levels, aim at the international and domestic market demands, and speed up the readjustment of product adaptability as well as the readjustment of strategies. On the premise of improving the economic results, we should promote a rapid progress in industrial production. This year, the municipal readjustment work priorities are: First, we should vigorously develop 10 trades with good economic results and high technological levels, such as vehicle, communications equipment, machine tool, and medical trades, and strive to promote the development of some enterprises and some products. Second, emphasis should be placed on readjusting the varieties of products; improving product quality, standing, and level; and enhancing the competitiveness of products. Third, we should control and reduce the production of products that are unmarketable, create poor economic results, and incur great losses, and accelerate the readjustment of product mix. Meanwhile, according to the municipal requirements for structural readjustment and in line with the different actual conditions, all departments should decide what key trades and projects should be readjusted.

We should combine the readjustment of product mix with the reform, technological transformation, and reorganization of enterprises; strive to increase economic results; and promote the fulfillment of the plan. First, we should further grasp the trial enterprise reform and gradually expand the trial work. We should give different instructions to different small and medium-sized enterprises, transform their mechanisms, and enliven their production and management. We should place in the lead the products with competitiveness, organize various kinds of cooperatives and enterprise associations, and display the overall advantages of equipment and technology. Second, we should continue to maintain the trend of increasing industrial production through technological transformation. According to the municipal structural readjustment plan, we should select and develop projects with high technological content and good economic results, collect funds from various fronts, and pay attention to developing the economy of scale. Third, we should speed up the development of new products and turn scientific and technological findings into productive forces.

Based on the principle of being positive and leaving some margins, this year, the municipality's industrial output value will, according to plan, increase 6 percent and the industrial output value realized by industries at or above the township level 4 percent. We should persistently promote production with sales and strive to ensure the marketing of all the products that have been manufactured.

Continuously in line with the principle of giving positive support, making reasonable planning, giving accurate guidance, and strengthening management and on the basis of positively making readjustment, we should accelerate the development of town and township industrial enterprises. Simultaneously, we should develop district- and neighborhood-run industrial enterprises in line with different actual conditions.

B. We should further adjust the structure and develop highly efficient agriculture.

We should conscientiously implement the CPC Central Committee's "Decision on Further Strengthening Agriculture and Rural Work," enhance our understanding of the fundamental position of agriculture, continue to develop the suburban- and export-oriented agriculture, adhere to the principle of "serving urban areas and making peasants prosper," further restructure agricultural production, develop highly efficient agriculture, and achieve rural modernization more rapidly.

In restructuring agricultural production, with regard to farming, we should optimize its geographical layout, improve the structure of seeds, and develop high-quality and high-priced crops on the premise that grain production is stabilized. Grain output is planned at 1.75 million tons, and efforts should be made to surpass the actual output of last year. Cotton output is planned at 22,500 tons, up 28.6 percent from the preceding year. On the part of breeding, on the condition that total output is stabilized, we should strive to improve the quality; renew the strains; promote sales through high quality; raise the efficiency of breeding; and increase the output of meat, eggs, and milk over the last year. We should steadily expand tree coverage and speed up the production and processing of fruits. We should make the best use of the facilities of current bases to greatly develop foreign exchange-earning agriculture, expand exports, and enhance the capacity for earning foreign exchange. Four percent growth is planned for agricultural output value.

To ensure that the agricultural plan is fulfilled, we should mobilize forces from all quarters of society to greatly support agriculture and increase agricultural investment; to strengthen capital farmland water conservancy projects, with the focus on the maintenance of, supply of necessary facilities to, and renovation of the existing projects, and build a number of small and medium-sized reservoirs in a planned manner; to conscientiously implement the strategy of developing agriculture by applying science and technology and promoting education and extensively disseminate practical agricultural scientific and technological achievements and advanced technology; to achieve success in comprehensive agricultural development, with the focus on transforming low- and medium-yield farmland, and to successfully build grain and cotton base counties; to further improve the dual management system and, on the basis of continuously stabilizing the responsibility system focusing on household-based contracts linking remuneration with

output, develop a system of comprehensive service before, during, and after production to meet the needs of the planned commodity economy; to organize well the timely supplies of chemical fertilizer, plastic sheeting, pesticides, and other major means of production in line with the needs in agricultural production; and to strive to unclog the channels for the sales of farm and sideline products, build various types of markets for the exchange of farm and sideline products, or supply them with necessary facilities.

C. We should strive to expand exports and actively use foreign capital.

In exports, on the basis that the principle of independent management and responsibility for one's profits and losses is adhered to, foreign trade enterprises should continue to adjust the export commodity mix, actively open up new markets, strive to reduce the cost of foreign exchange earnings, gradually absorb deficits, increase the purchases of our municipality's commodities, and raise the export level. To fulfill this year's export plan, the following major measures should be taken: Industrial and foreign trade enterprises should closely coordinate to adjust the export commodity mix in line with the demand of the world market, greatly reduce the cost of foreign exchange earnings, develop the exports of traditional staple commodities and electronic and machinery products, and increase the technology exports. Flexible trade methods should be adopted to open up multifaceted markets while consolidating the original markets. Agents stationed in foreign countries should be adjusted and replenished and new sales outlets developed. Active efforts should be made to provide favorable conditions to expand the authority of industrial enterprises for exports. Pertinent departments should work in close coordination to strengthen overall planning for imports and exports and gradually reduce the overdue subsidies to cover the deficits of foreign trade enterprises. The municipality's policies and measures for encouraging exports should be further improved and implemented. Meanwhile, active efforts should also be made to develop contracts for construction projects abroad, labor exports, oceangoing transportation, and international tourism to promote Tianjin's economic and trade cooperation and exchanges with foreign countries.

We should positively utilize even more foreign capital, try to attract even more foreign traders to make direct investments in the municipality, and vigorously win the medium- and long-term loans granted by foreign governments and international financial organizations in order to maintain a relatively reasonable foreign debt structure. We should encourage old enterprises to use their existing plants, spaces, and equipment to initiate joint venture and cooperative enterprises with foreign traders, and should select a number of key enterprises, which have solid foundations and bright prospects, to accommodate foreign traders. We should pay attention to raising funds to build some major projects which use foreign investments and then firmly grasp the pre-phase work for such projects. We should initiate a number of

reserve industrial projects and urban infrastructure projects which are in keeping with the orientation of municipal development and which have a strong ability to pay debts. We should further perfect policies; should improve environmental investment; should accelerate the construction of developmental zones, bonded areas, and the new technology industrial park; and should make good and flexible use of all preferential policies. We should strengthen the work of paying foreign debts, pay attention to clearing up and managing debts, and map out plans for paying debts to ensure that the foreign capital plus interest will be paid on schedule.

D. We should continue to accelerate the building of key projects and strive to increase the returns on investment.

This year, the state has initially projected the investment scale of the entire municipality at 7.3 billion yuan, an increase of 25.3 percent over that assigned at the beginning of last year. Of this figure, the investment in capital construction is projected at 2.37 billion yuan and that in technological transformation at 2.7 billion yuan. In line with the demand of the structural reform of the municipality, in arranging for construction projects, we should give priority to the key projects covered by the Eighth Five-Year Plan, which exert great influence on the national economy, the key technological transformation projects, the urgently needed projects closely related to the people's livelihood, and part of the projects near completion, which will yield good economic and social benefits. The ordinary projects under continuous construction should be arranged according to a unified plan in line with the situation of construction funds. We should also make good arrangements for the newly initiated projects according to industrial policies. In accordance with the above-mentioned principle, the major construction projects arranged in the plan are: In terms of energy and transportation projects, we plan to complete the building of Dagang Power Plant and continue the construction of Junliangcheng Power Plant, Jixian Power Plant, Chentangzhuang Thermal Power Plant, the Beijing-Tianjin-Tanggu Expressway, and the Dongtu Dam of Tianjin Harbor. In terms of industry, we plan to complete and continue the construction of the projects of the 150,000-ton cold-rolling thin steel plate, the 500,000-ton seamless steel tube, and the 30,000 Xiali sedans, and prepare for and start the construction of the 140,000-ton ethylene project and the 300,000-channel program-control telephone exchanges. In terms of agriculture, forestry, and water resources, we plan to build a fine-quality grain production base, to harness the new Yongding He, and to build some projects aiming at raising cities' flood-control capacity. In terms of urban construction, we plan to complete the expansion of the No. 2 coal gas plant, continue the construction of the second-phase project of the Xinkaihe Water Plant, and newly build and rebuild 2 million square meters of residential houses. In terms of social welfare facilities, we plan to build a science and technology hall, complete the construction of an educational college, the Nankai

Hospital, and 15 primary and middle schools and kindergartens, and continue to build a number of commercial facilities and mass cultural and sports facilities.

We should positively raise funds through diverse channels and various forms in order to make good arrangements for key projects. We should actually strengthen the control of the whole process of construction projects, attend to the consultation and appraisal of projects, and strive to raise the returns on investment. Various fields should foster the concept of input and output, save construction funds, and overcome waste phenomenon. We should continue to make pre-phase preparations for construction projects and make appropriate preparations for projects.

E. We should actively promote scientific and technological progress in close connection with economic development.

In line with the strategic principle of the municipal party committee on "developing the municipality through science and technology," we should focus this year's scientific and technological work on "combination" and "conversion," closely combine it with the demands of economic development, and accelerate the progress of converting scientific and technological findings into productive forces. First, we should actively organize people to conduct scientific and technical research projects. The municipal authorities will continue to organize personnel to tackle the 10 major scientific and technical research projects concerning automobile and electronics industries and increased grain output. Second, they will carefully organize the implementation of our municipality's special projects which have been listed in the state scientific and technological research plan during the "Eighth Five-Year" Plan period. All departments should determine their own major scientific and technological research projects. Third, we should continue to establish new technological industrial parks and accelerate the formation of high and new-tech industries. Fourth, we should do a good job in intermediate experiments and industrial experiments, and popularize a battery of new methods, new technologies, and new materials for reducing energy consumption and technological upgrading. Fifth, we should continue to implement the "Spark Plan" and the "Bumper Harvest Plan." Sixth, we should pay attention to strengthening basic scientific research, social sciences, and policy decisions, and continue to do a good job in the basic work concerning measurement, standardization, and patent information.

It is necessary to actively raise funds, increase scientific and technological investment and make good use of the scientific and technological development funds of various sectors. Enterprises should provide sufficient technological development funds in line with stipulations, and use them for development of new technology. It is necessary to reinforce and strengthen scientific and technological development organs, perfect the policies for promoting scientific and technological progress, and fully boost the enthusiasm of scientific and technical

personnel. We should display the role of the central research institutes in Tianjin as well as colleges and universities, pay attention to bringing in scientific and technical forces outside the municipality, and serve Tianjin's economic and social development in a better manner.

F. We should positively invigorate circulation and actively develop the tertiary industry.

This year, the focus of developing tertiary industry is to invigorate circulation, establish and perfect the market system, further strengthen our municipal function as the commodity distribution center of the northern region, promote the production and development of industrial and agricultural production, accelerate reform of the wholesale system, gradually form the commodity and material circulation system characterized by large-scale import and export, and purchase and marketing in remote areas, and strive to expand the scale of commodity circulation; further improve the relationship between production and marketing, try to run industry-foreign trade and industry-commerce integrated wholesale and retail sales groups to form a mechanism to promote sales by combining industry with commerce and foreign trade; give a free hand to the retail sales commercial units in "management, distribution, employment, and prices," and strengthen enterprise vitality; continue to develop trans-regional joint operation, integrated sales, sales agents, and chain stores, expand the circulation channel, form a regional sales network, and enhance the rate of market occupation of commodities; further improve the commodity market, establish material purchasing and marketing associations, set up material processing, distribution, and delivery centers, develop a new type of storage and transport industry with comprehensive functions, and form a material circulation network based on Tianjin's conditions and serving the whole country; further improve the technology market, establish flea markets and auction markets, and successfully hold all forms of trade fairs, sales exhibitions, and meetings for ordering goods.

While invigorating circulation, we should also adopt effective measures to promote the development of the banking insurance business, communications, posts and telecommunications, information and consulting services, real estate development, and meeting service industries.

G. We should accelerate the training of personnel and further develop all social work.

In line with the principle of reform, readjustment, and enhancement, we should organize and rely on the strength of all sectors to further develop social work.

In educational work, we should comprehensively implement the party's principle of education, actively promote educational reform, further enhance teaching quality, and train qualified personnel for economic construction. Institutions of higher learning should stabilize their scale

and do a good job in their disposition and in the readjustment of specialties. We should expand secondary vocational and technical education to further solve the problem of absorbing more junior middle school graduates, strengthen basic education, continue to build or expand a number of the primary and middle schools, rationally readjust the distribution of schools, and strive to solve the problem caused by the period of expansion in the enrollment of primary and middle school students in the urban areas. We should accelerate the progress of the 9-year compulsory education in rural areas. The priority of adult education is to successfully conduct vocational education and on-the-job training to cope with the readjustment of the economic structure.

In public health, while stabilizing the scale of hospitals in urban areas and improving their medical service, we should shift work focus to improving rural primary health care and guide and encourage all quarters to invest in rural public health. We should continue to increase hospital beds, improve conditions for medical service and public health, and develop the advantages of various hospitals in their specialties.

We should strengthen family planning work and continue to intensify control over family planning work for the rural population and transients. We should do a good job in publicizing general knowledge of family planning and in education on basic national policies; advocate late marriage, late childbirth, healthy birth, and sound upbringing; and strictly ban unplanned births. We should achieve success in work for handicapped people. We should make active efforts to study and solve problems arising in the aging of the population.

We should continue to develop sports and further make literature and art, press and publication, radio and television, and other undertakings flourish to enrich people's spiritual and cultural life.

H. We should make markets thriving and arrange people's lives well.

We should make better arrangements for market supply to satisfy urban and rural people's needs in their ever improving living standard. A 12 percent increase in commodity retail sales is planned. Based on the changes in market and consumer demands, we should actively organize the sources of readily marketable commodities and brand-name, special, good-quality, and new products and make morning, evening, weekend, and festival markets successful. We should expand the commodity exchanges between urban and rural areas and successfully organize the purchase of farm and sideline products and the delivery of industrial goods to rural areas. We should further improve commercial facilities to improve people's shopping environment.

We should further strengthen market management, continue to straighten out arbitrary price hikes and service charges, and strictly check the acts that disrupt market order and damage the interests of consumers, such as

forcing up prices, giving short measure, forcibly buying and selling, and selling counterfeit and shoddy goods.

While developing production and improving efficiency, we should rationalize the increase in workers' wages so that people's actual living standard will continue to improve. We should make active efforts to broaden the avenues for employment and properly arrange jobless urban people. We should open up opportunities and arrange well the work and life of redundant personnel of enterprises through developing tertiary industry and other measures.

### **3. Actively Facilitate Reform, Pay Close Attention to "Double Increase and Double Economy," and Promote the Fulfillment of the 1992 Plan**

We should comprehensively fulfill this year's plan for economic and social development so that economic work will be truly shifted to the track of adjusting the structure and improving efficiency. The key to bringing about a steady upturn in the municipal economy lies in continuously deepening economic reform and relying on the masses and mobilizing all positive factors to continuously deepen the "double increase and double economy" campaign. For this purpose, we should emphasize the following work.

A. Focusing on improving enterprises, especially large and medium-sized state enterprises, we should deepen reforms in various fields. We should further enforce the "enterprise law" and expedite the transformation of the inner mechanism of enterprises. We should deepen the reform of the distribution, labor, and personnel systems of enterprises; relax restrictions on their management; and establish mechanisms for their development, self-regulation, and risk-taking. We should expand the experiments of "two systems in one plant" and "new systems for new plants" in some enterprises, expand the experiments of the shareholding system, select some enterprises to try out the separation of profit delivery from tax payment, gradually develop and improve enterprise groups, and continue to improve the contracted managerial responsibility system to gradually promote the system of contracts for different levels of work on a voluntary basis and the system of contracts by all workers of an enterprise.

While deepening internal enterprise reform, we should implement the series of policies and measures adopted by the state to invigorate large and medium-sized enterprises and positively carry out reforms in related fields. We should concentrate efforts on carrying out the reform of the circulation system, foster the concept of adapting ourselves to the demands of the whole country and spreading our products to the international market, and gradually establish a modernized market circulation system. We should positively and properly promote the reform of price system and price management system and expand enterprises' autonomy in deciding prices. We should accelerate the reform of the financial system, open up various kinds of money-lending channels,

expand the monetary market, and realize the diversification of the property of financial departments. We should positively expand the issuance of stocks and bonds and further perfect the stock exchange market, the foreign exchange regulation market, and the money lending market. We should strive to promote the reform of the planning system, research and establish the new national economic accounting system, with the GNP as the nucleus, select some economic departments to draw up the plan on added value on a trial basis, and list the added value and the output value of the marketed products as one of the targets to assess industrial enterprises. We should improve the investment system and carry out, on a trial basis, the method of examining and approving projects in line with industrial policies and with the economies of scale. We should establish and perfect the system of management and operation of state-owned property. We should clear up and assess property in a step-by-step manner and decide where the property rightfully belongs. We should select a part of state enterprises to try out the system of separating ownership from management rights. We should accelerate the building of the social security system and meticulously organize the implementation of the housing system reform in order to create a good external environment for invigorating enterprises.

B. We should continue to deeply launch the campaign of "increasing production and practicing economy and increasing revenues and cutting expenditures," and should make great efforts to improve economic efficiency. We should further mobilize the vast numbers of staff, workers, and the masses to comprehensively strengthen the control of product quality, to find out shortcomings, to reveal contradictions, and to tap internal potentials so as to step up the management of various basic links of enterprises. Industrial, commercial, and trade departments should make concerted efforts to curb the reserve of goods in order to cut the overly high costs of production and marketing. We should resolutely halt deficits and increase profits and strive for a large-scale decline in the range and amount of the enterprise deficits as compared with those of the previous year. We should adopt effective measures to plug loopholes in all areas and overcome part of the factors of energy resources' price increases and those of raw materials through the endeavor of cutting the consumption of energy resources and raw materials. We should adopt feasible measures to ensure the fulfillment of the profit delivery targets of enterprises. We should strictly enforce tax laws and strengthen tax collection and management in order to increase tax revenues. We should plug the loopholes in subsidies to improve the efficiency of subsidies. We should further tighten up various expenditures, vigorously practice economy, and oppose extravagance and waste in order to really carry out and gain practical results from the campaign of increasing revenues and curbing expenditures.

C. We should accelerate the change of the functions of comprehensive economic departments and improve

service and coordination. Comprehensive economic departments such as planning, financial and tax, banking, insurance, labor, pricing, supplies, auditing, statistical, and industrial and commercial management departments should further change their functions, improve their style of work, improve their work efficiency, and improve their service. These departments should foster the guiding ideology of serving enterprises and the economy in an even firmer manner and should

actually help enterprises solve problems. We should further clear up the "debt chains" and continue to check the unauthorized collection of service charges, fines, and financial levies. We should improve coordination among comprehensive economic departments and gradually give rise to a strong and effective macroeconomic regulation and control system in the course of promoting reform, invigorating enterprises, and improving efficiency.



This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.